



IPO Details

Opening Date	Feb 17, 2023
Closing Date	Feb 21, 2023
Stock Exchange	BSE SME
Lot Size	600 Shares
Issue Price	₹ 220-225 per share
Issue Size	24,99,600 Equity Shares
Application Amount	₹ 1,35,000

IPO Objective

Funding Working Capital Requirement
 General Corporate Purpose
 Provisions and Contingency
 Purchase of Plant and Machinery
 Product Development
 Marketing and after Sales Support

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	72,00,000	100%
Public	-	-

Promoter of the Company

- Mr. Mohamed Hanif Chaudhari
- Mr. Umar A K Balwa
- Mr. Rafiq H. Balwa

Competitive Strengths

- One of few Indian Company Approved/ Registered as vendors with National & International customers.
- Experienced Board of Directors & Senior Management team supported by Skilled & Qualified Workforce.
- Consistent financial performance with about 30% growth in Profit After Tax.
- Optimum utilization of existing installed capacity & firm plan for Expansion.

Company Background

- Company was incorporated in the year 2009 in Maharashtra.
- The company is engaged in the business of designing and manufacturing of mechanical seals and associated products.
- Sealmatic products are globally recognized as a trusted brand in process industry in over 45 countries.
- The company has manufacturing facility at Village Ghodbunder, Thane - 401104, India.
- Company has about 77% of its total sales from export of its product and 23% from domestic sales.
- Company has 100% retention rate and a satisfied base of over 1,000 customers across the globe.
- Company had 235 Employees on its payroll as on 30th September 2022.

Financial Summary

For the Period Ended	(In Lacs)		
	Mar-21	Mar-22	Sep-22
Total Assets	2,975.94	3,947.36	5,108.52
Net Assets	2,174.43	3,015.89	3,550.15
Total Borrowings	272.62	93.56	224.39
Total Revenue	3,548.18	4,276.76	2,582.12
Profit After Tax	649.76	841.46	543.45

Tentative Timeline

Opening Date	Feb 17, 2023
Closing Date	Feb 21, 2023
Basis of Allotment	Feb 24, 2023
Initiation of Refunds	Feb 27, 2023
Credit of Shares to Demat	Feb 28, 2023
Listing Date	Mar 01, 2023



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Company Overview

Incorporated in the year 2009, The company is engaged in the business of designing and manufacturing of mechanical seals and associated products. Company has a complete range of engineered mechanical seals and sealing support systems to cater the needs of customers located all across the globe. Sealmatic products are globally recognized as a trusted brand in process industry in over 45 countries, to name a few: USA, UK, Germany, Netherlands, Italy, Sweden, Norway, Switzerland, Denmark, Australia, France, Japan and many more countries. The company has manufacturing facility at Thane, Maharashtra. The said manufacturing unit is setup on a lease land collectively admeasuring 3,855.86 Sq. Mtrs. The company has also entered into lease agreement for setting up its second manufacturing unit. Company has about 77% of its total sales from export of its product and 23% from domestic sales.

Analysis

Being incorporated in the year 2009, the company is very well possessed with experience in manufacturing of mechanical seals. Mechanical seals are mainly used in Oil & Gas, refinery, petrochemical, chemical, pharmaceutical, fertiliser, power, mining, pulp & paper, aerospace, marine and other industries. Company's Customers include Fortune 500 Companies. Company's customers are spread across all the continents and have 100% retention rate, company have a satisfied base of over 1000 customers across the globe. Company's Major Customers:

 Reliance Industries Limited	 Indian Oil Corporation Limited	 Bharat Petroleum Corporation Ltd.	 Bharat Heavy Electricals Ltd
 KSB SE & Co. KGaA	 Sulzer Ltd.	 Andritz AG	 Hindustan Petroleum Corporation Ltd.
 GAIL India Ltd.	 National Thermal Power Corporation Ltd.	 Enriching Lives KIRLOSKAR	 Ruhrpumpen
 WILO PUMPS	 SPX	 SEEPEX	 DÜCHTING PUMPEN

Company imports raw materials from USA, Germany and UK which are approved vendors for various international sealing companies: Seal Faces such as Carbon & Silicon Carbide are imported from USA & Germany. Elastomers are imported from Germany. Springs and other Hardware are imported from Germany. Company and its products are certificated and registered by global institute. Company's Major Suppliers :

 Schunk Carbon Technology	 CeramTec Group	 Baumer Technologies
 Endress+Hauser	 Emerson Electric	 Schweizer
 Morgan Advanced Materials	 Alwin Höfert	 Smalley Steel Ring Company

Company's product types:



To conclude, the company has been in the business since more than 12 years and the management has more than two decades of experience in the industry. The company has fared well in recent years and also seems to do well in coming times with its customer base and product expertise. The company is looking to setup a second manufacturing unit to increase production capacity by about 60% of existing installed capacity.



Industry Charts

Exhibit 1: Indian Steel Market Size

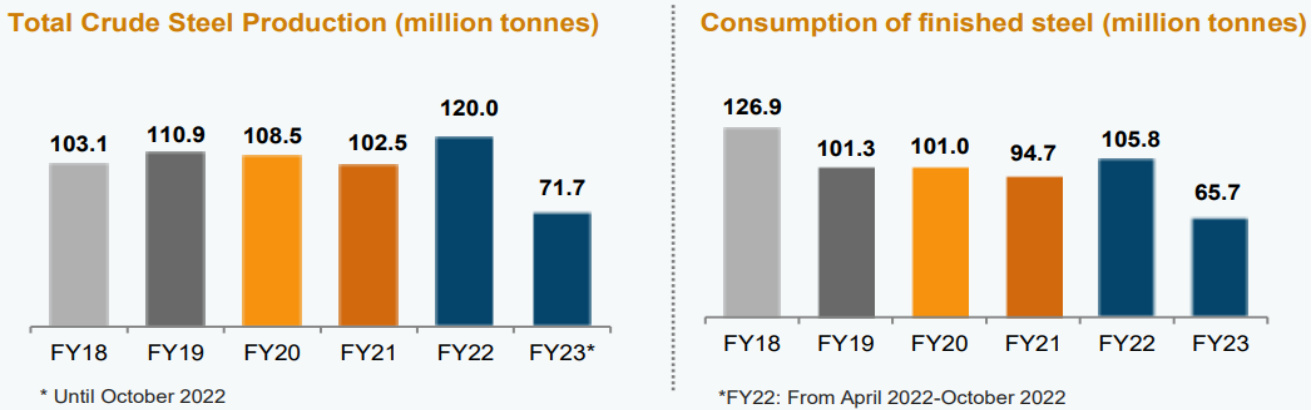


Exhibit 2: Indian Steel Sector Composition

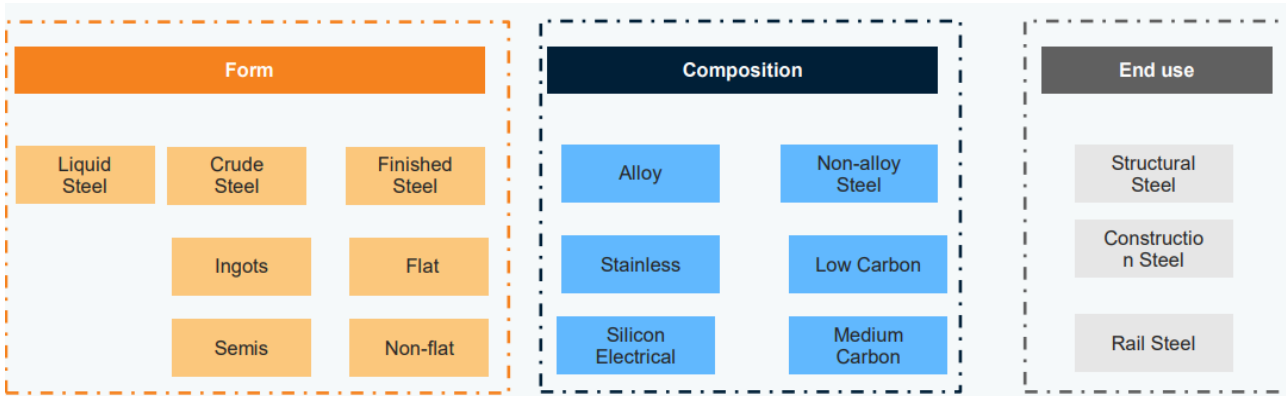
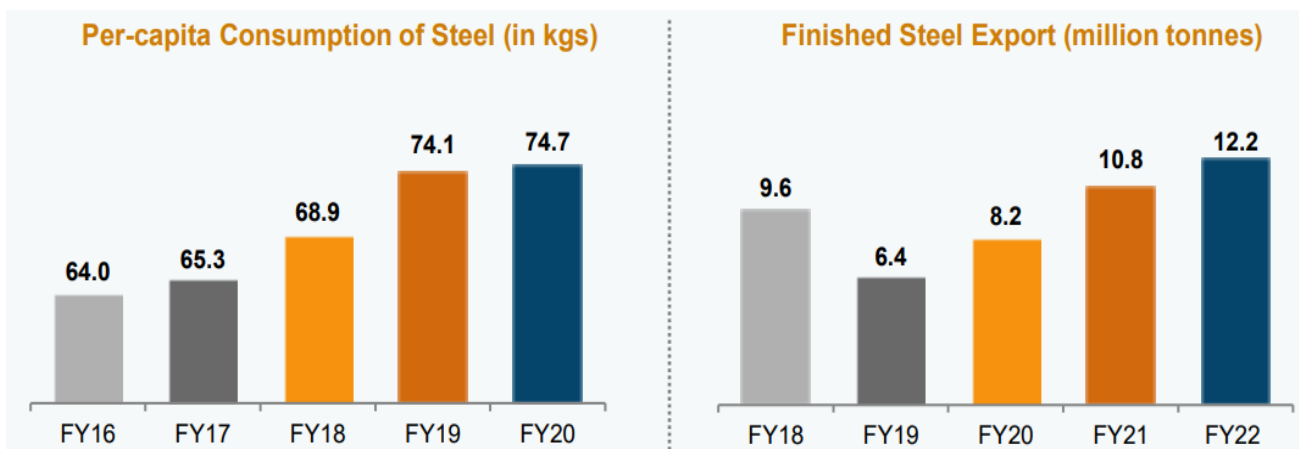


Exhibit 3: Indian Steel Market Key Trends



(Source: ibef.org)



Investment Overview

Indian Mechanical Seals Market

India is one of the major markets for mechanical seals. Several of the major factors that have led to high demand for mechanical seals in India include, rapid industrialization which has led to high demand for Power and infrastructure sector, one of the other factors is that seals help in reducing leaks and help in efficiency further reduces cost of maintenance, Thus Indian Oil and Gas, Power sector and other capital-intensive industry has started using mechanical seals for bring efficiency in the process and reducing overall operational cost. Seals help in reducing leaks which leads to significant savings that comes from less waste, reduces pump failure and eases maintenance. One major factor of using mechanical seals by Indian companies in recent years is that it reduces hazards to pump operators and bring associated health, safety, and environment benefits.

The seal system's role in a pump is to minimize leakage of the pumped liquid from the area in the pump where the drive shaft enters or exits the casing. Depending on the type of pumped liquid, leaking fluid can be extremely dangerous, so seal systems help keep pumping equipment operating safely.

Adoption of mechanical seals in pumps and compressors reduces the maintenance and operation cost of the system and ensures leakage safety and mitigation of airborne pollution. Increase in acceptability of mechanical seals by processing industries is anticipated to drive the Indian mechanical seals' market.

Mechanical seals are employed in harsh conditions such as well drilling, fresh water distribution, lift stations, and wastewater treatment in the water & wastewater industry. Introduction of mechanical seals in cooling towers, hot & cold water, circulation pumps, booster pumps, boiler feed, and fire pumps in the HVAC industry is also expected to drive the Indian mechanical seals' market.

The Industrial seals market in India has shown significant growth in the past two decades and is expected to grow moderately in the coming future as well. Industrial Seals market was valued at USD 12.3 billion in 2020 and is projected to reach USD 16.5 billion by 2028, growing at a CAGR of 3.6 per cent from 2021 to 2028.

(Source: Prospectus)



Addressable Market for Sealmatic India Limited

The company have customers from India as well as overseas. Sealmatic products are globally recognized as a trusted brand in process industry in over 45 countries, to name a few: USA, UK, Germany, Netherlands, Italy, Sweden, Norway, Switzerland, Denmark, Australia, France, Japan and many more countries. Company has developed a strong business network in Europe & USA, including India and has a plan to expand it in other geographies.

Competition

Competition for the company emerges not only from the organized sector but also from the unorganized sector and from both small and big players. There are many small and unorganised players in the market. The threat of new entrant is not low. The companies in this industry seems to have moderate bargaining power and is also dependent on the bargaining power of its suppliers.

Peer Analysis

As per the prospectus, the company has no listed peers.

Promoters' Profile and Management Analysis**Mr. Umar A. K Balwa**

- Mr. Umar A. K. Balwa, 55 years old is one of the founding members and managing director of Sealmatic.
- He has a Bachelor's degree from the Mumbai University.
- He has extensive experience of over 33 years managing various key functions at Burgmann, Balwa Group and Sealmatic.

Mr. Mohamed Hanif Sharifbhai Chaudhari

- Mr. Mohamed Hanif Chaudhari, aged 56 years, is also a founding member and Whole Time Director of Sealmatic.
- He brings to Sealmatic an extensive experience of over 33 years in designing, manufacturing and servicing of mechanical seals.
- He has been trained in Germany and Japan covering various intricate aspects of sealing technology.

Mr. Rafiq H. Balwa

- Mr. Rafiq H. Balwa, aged 37 years is the Promoter of the Company
- He has over 10 years of experience in the hospitality and construction industry.
- He has formal education in Business Management.



Analysis on the Company's Promoter and Board of Directors

Mr. Umar A. K. Balwa, 55 years old is one of the founding members and Managing Director of Sealmatic. He has a Bachelor's degree from the Mumbai University. He has extensive experience of over 33 years managing various key functions at Burgmann, Balwa Group and Sealmatic. He was the Executive Director Sales of Burgmann India (German conglomerate) from 1993 until 2001 and from 2001 until August 2007 as the Managing Director. He has established an over encompassing sales network through 45 countries across the globe. From year 2011, he is appointed as director in Sealmatic India Limited.

Mr. Mohamed Hanif Chaudhari, aged 56 years, is also a founding member and Whole-Time Director of Sealmatic. He brings to Sealmatic an extensive experience of over 33 years in designing, manufacturing and servicing of mechanical seals. He has been trained in Germany and Japan covering various intricate aspects of sealing technology. Over the years he has played many roles including being the Asst Vice President at Burgmann India from 1993 until 2011. Since 2012 he is Director in Sealmatic India Limited.

Ms. Sania Umar Balwa, aged 30 years, is non-executive director and has served as a Director at Balwa Group for over seven years. She holds a Master's degree from the University of Warwick in marketing and strategy. She has a rich experience in international business, sales and marketing that involves conventional and digital media. During her diverse global experience, she has worked for the Family Group with renowned brands such as Radisson, Marriott etc. Since October, 2022 she is a Director in Sealmatic India Limited.

To conclude, the company's promoters have a good experience in the industry in which the company belongs to. The independent directors of the company are also well experienced and could be a good driving force for the company.



Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 30th Sep, 2022
Profit and Loss			
Revenue from operations	3,532.58	4,254.06	2,562.72
Other income	15.60	22.70	19.40
Total Revenue	3,548.18	4,276.76	2,582.12
Expenses	2,509.31	3,050.15	1,760.01
Depreciation and Amortisation Cost	150.45	85.43	48.20
Finance Cost	14.21	9.14	6.95
Total Expenses	2,673.97	3,144.72	1,815.16
PBT	874.21	1,132.04	766.96
PBT Margin	24.75%	26.61%	29.93%
EBITDA	1,023.27	1,203.91	802.71
EBITDA Margin	28.97%	28.30%	31.32%
Net Profit	649.76	841.46	543.45
Net Profit Margin	18.39%	19.78%	21.21%
Balance Sheet			
Total Borrowings	272.62	93.56	224.39
Net Worth	2,174.43	3,015.89	3,550.15
Fixed Assets	709.88	870.36	953.71
Net Working Capital	1,619.67	2,176.05	2,689.12
Financial Measures (Annualised)			
Inventory Turnover Ratio	4.11	2.92	2.48
Receivables Turnover Ratio	5.50	4.75	4.30
Payables Turnover Ratio	4.01	3.00	2.86
Fixed Assets Turnover Ratio	4.98	4.89	5.98
Return on Capital Employed	36.23%	36.33%	35.29%
Return on Equity	29.88%	27.90%	26.28%
Debt-Equity Ratio	0.13	0.03	0.05

(The data has been taken and calculated from the financials given in the prospectus)



Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has grown from Rs. 1,023.27 lacs in 2021 to Rs. 1,203.91 lacs in 2022 and on 30th Sep 2022 it was Rs. 802.71 lacs and if we annualise the same it would be around Rs. 1,605.42 lacs. The EBITDA on annualised basis has grown at a CAGR of 25.26%. The EBITDA margin in 2021 was 28.97%, 28.30% in 2022 and 31.32% up to 30th Sep 2022.

Net Profit

The net profit of the company has grown from Rs 649.76 lacs in 2021 to Rs. 841.46 lacs in 2022 and as on 30th Sep 2022 it was Rs. 543.45 lacs and if we annualise the same it would be around Rs. 1,086.90 lacs growing at a CAGR of 29.34%. The net profit margin in 2021 was 18.39%, 19.78% in 2022 and 21.21% up to 30th Sep 2022. The net profit margin of the company has shown good strength and has grown at a very good pace.

Finance Cost.

The company's finance cost mainly due to short terms borrowings and long-term borrowings availed by the company.

Financial Measures/Ratios

RoCE of the company up to 30th Sep 2022 is 20.25% vs 36.33% in 2022 and 36.23% in 2021. If we annualise the ROCE of FY 2022-2023, the ROCE is expected to be around 35.29%. The RoCE has been at good levels for the company and it is expected to be at these levels in the coming times.

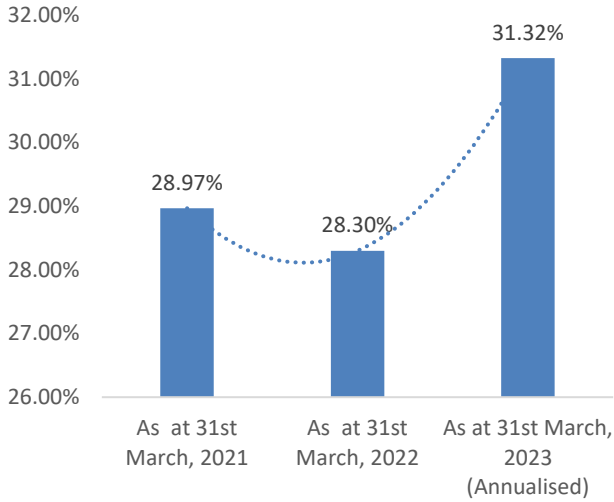
ROE of the company in 2021 was 29.88%, 27.09% in 2022 and 15.31% up to Sep 2022, if annualised, ROE would be around 26.28%. The ROE likewise RoCE has been at good levels for the company. With increase of equity base, the ROE is expected to come down on annualised basis, but with passage of time, the ROE is again expected to go beyond 20%.

The company has a debt-equity ratio of 0.06 which shows the company is poorly leveraged but could better utilise debts in their favour. The debt-equity ratio is going to go further down to around 0.05 times post IPO.

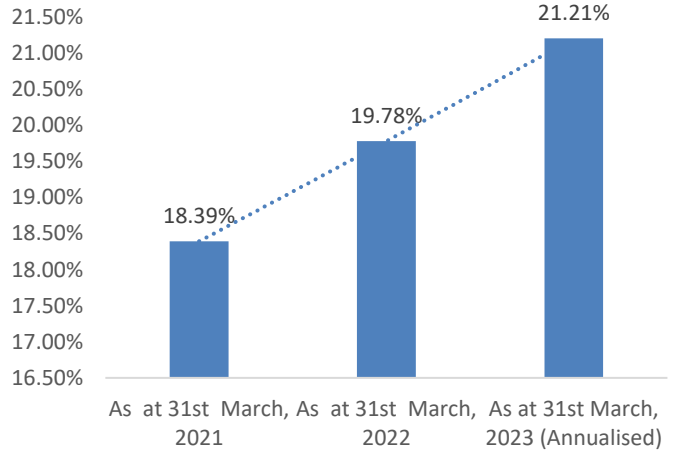


Financial Charts

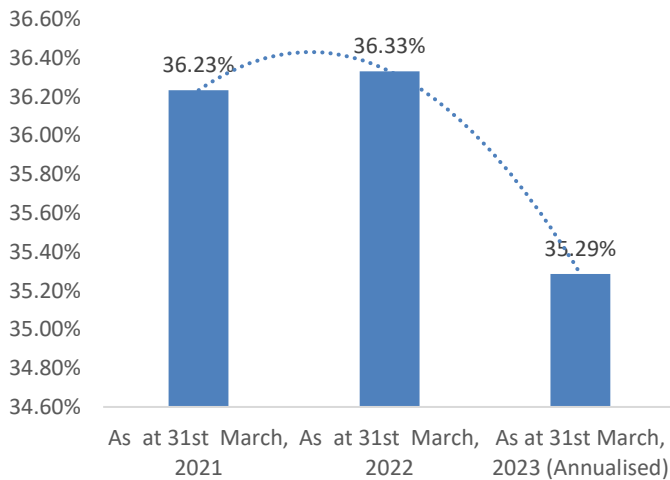
EBITDA Margin



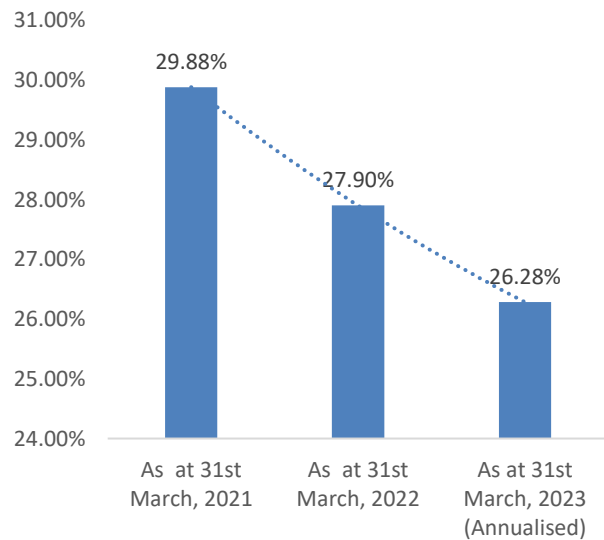
Net Profit Margin



Return on Capital Employed



Return on Equity





Key Risk Factors

1. Company, Promoters, Directors and group Companies are involved in certain litigations including tax related litigations amounting to Rs. 1,117.17 lacs along with 4 litigations having unascertainable amount, which if determined against the company, can affect financial conditions of the company.
2. Erstwhile Statutory auditor has provided qualifications in the Financial Statements for Financial Years ended on March 31, 2021 and 2020 pertaining to some deposits ascertained by the management as recoverable and no impairment been made.
3. Top 5 customers of the company contribute to around 79% of sales.
4. Company has contingent liabilities amounting to Rs. 244.66 lacs for the period ended up to Sep 2022.
5. Company had negative cash flow from operating activities in FY 22 and FY 20.



Track Record of Lead Manager

The lead manager to the issue is ISK Advisors Pvt Ltd and this is the 4th mandate of the lead manager. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Sl. No.	Company	Issue Size (In Cr)	Listing Date	IPO Price/share (INR)	CMP (INR) #
1.	Maruti Interior Products Limited	11.00	Feb 16, 2022	55/-	166.00
2.	Advait Infratech Limited	6.89	Sep 28, 2020	51/-	278.95
3.	Technopack Polymers Limited	7.87	Nov 16, 2022	55/-	106.00

#CMP is taken as on 16th February 2023

Out of the last 3 listings, all opened at premium.



Recommendation

The company has been into this industry from 2009 and possess very good experience in the field of manufacturing mechanical seals. Over the years Sealmatic has been successful in establishing its name in the industry and company has a strong customer base of domestic as well as foreign clients.

The revenue and profit margins of the company has shown some good growth in the recent years and the mixed ratios of the company has also been increasing.

The management outlook of the company as the management has almost 2 decades of experience in the industry.

The company is getting listed at a PE of around 16.58 times on post IPO basis and looking at the size of the company, it is fairly priced.

So, the company seems to have a good prospect with expansion plans in process and so one **should apply** in the IPO.



Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.