

August 16, 2022 ^(Revised)

GMM Pfaudler Limited - Update on Material Event

Summary of rating(s) outstanding

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Outstanding
Long-term Fund-based - Term Loans	111.00	111.00	[ICRA]AA-(Stable)
Long-term Fund-based - Working Capital Facilities	85.00	85.00	[ICRA]AA-(Stable)
Short-term Non-fund Based – Working Capital Facilities	104.00	104.00	[ICRA]A1+
Short-term- Interchangeable Limits**	(85.00)	(85.00)	[ICRA]A1+
Total	300.00	300.00	

*Instrument details are provided in Annexure-1

**100% Interchangeable with fund-based limits

Rationale

ICRA has noted that on August 4, 2022, the Board of Directors of GMM Pfaudler Limited (GMMPL) approved the acquisition of 46% of the paid-up share capital of its existing overseas subsidiary, GMM International S.a.r.l from Pfaudler International S.a.r.l (part of the promoter group of the company) and Millars Concrete Technologies Private Limited (part of the promoter group of the company), which will result in the company owning 100% of the Pfaudler International business.

Accordingly, the Board approved (a) a payment of Rs. 149.5 crore to Pfaudler International S.a.r.l (20% held by DBAG Fund VI); (b) a payment of Rs. 23.9 crore to Millars Concrete Technologies Private Limited (26% held by the Patel family); (c) the issuance and allotment, on a preferential basis, of 11,04,724 equity shares of the company having a face value of Rs. 2.0, to Millars Concrete Technologies Private Limited at a price of Rs. 1,542.43 per equity share; and (d) borrowing such a sum of money required to make the payment of Rs. 173.38 crore to Pfaudler International S.a.r.l and Millars Concrete Technologies Private Limited for the transfer of 1,27,03,282 shares in GMM International S.a.r.l to the company. Expected to be completed by Q2 FY2023, the transaction would result in some increase in promoter shareholding in GMMPL. The proposed scheme of arrangement would simplify the Group structure and enable the realisation of cost efficiencies.

ICRA has noted the above event, while the ratings and outlook remain unchanged at the earlier ratings of [ICRA]AA- (pronounced ICRA double A minus) with a Stable outlook and [ICRA]A1+ (pronounced ICRA A one plus) on the Rs. 300.00-crore bank facilities of GMMPL as the said merger is not expected to materially impact the Group's financial profile at the consolidated level.

ICRA notes that there would be some increase in the company's debt levels at the consolidated level than our earlier expectations, which would moderate the debt coverage metrics. However, the increased scale of operations as well as expansion in profitability from the business shall support its credit profile. Further, the consolidation of the balance stake at GMM International S.a.r.l shall improve the company's retained earnings. ICRA, however, will continue to monitor the development regarding the scaling of the business at consolidated level and its impact on the credit risk profile of the company at the consolidated level.

Please refer to the following link for the previous detailed rationale that captures the company's key rating drivers and their description, its liquidity position, rating sensitivities, and key financial indicators: [Click here](#)

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of GMM Pfaudler Limited. As on December 31, 2021, the company had 16 subsidiaries, which are all enlisted in Annexure-2.

About the company

Gujarat Machinery Manufacturers Private Limited, incorporated in 1962, was renamed as GMM Pfaudler Limited in 1999, with Pfaudler Inc. acquiring a 51% stake in it. As on June 30, 2022, the promoter and promoter Group held a 54.95% stake in the company, of which Pfaudler Inc. (ultimately held by Deutsche Beteiligungs AG) held around 32.7%.

GMMPL directly acquired a 34.45% stake in the Pfaudler Group and 19.6% through its wholly-owned subsidiary, GMM Mavag AG, for a total consideration of ~Rs. 206 crore in February 2021. Post-acquisition, GMMPL enjoys ~40% of the market share in the global GLE business, while it continues to enjoy over 50% market share in the domestic market. The company also derives revenue from the manufacture of proprietary products (mixing, filtration and drying equipment) and execution of heavy-engineering projects in the domestic market. In its overseas operations, a significant revenue share is contributed by the service and system segments. At present, GMMPL owns 14 manufacturing facilities across the US, Europe and Asia.

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current Rating (FY2023)		Chronology of Rating History for the past 3 years					
		Amount Rated (Rs. crore)	Amount Outstanding as of Sep 30, 2021 (Rs. crore)	Date & Rating in		Date & Rating in FY2022		Date & Rating in FY2021	Date & Rating in FY2020
				Aug 16, 2022	Mar 21, 2022	Jul 30, 2021	-		
1	Term Loans	Long-term	111.00	101.98	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	-	-
2	Fund Based Limits	Long-term	85.00	-	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	-	-
3	Non-fund Based Limits	Short-term	104.00	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-	-
4	Interchangeable Limits*	Short-term	(85.00)	-	[ICRA]A1+	[ICRA]A1+	[ICRA]A1+	-	-

*Interchangeable with fund-based working capital limits

Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund based- Term loan	Simple
Fund based- Working capital facilities	Simple
Non-fund based - Working capital facilities	Very Simple
Interchangeable Limits	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analyzing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: www.icra.in

Annexure-I: Instrument details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (RS Crore)	Current Rating and Outlook
NA	Term loan-I	Apr 2021	6.4%	Apr 2025	65.00	[ICRA]AA- (Stable)
NA	Term loan-III	June 2020	6.8%	May 2025	46.00	[ICRA]AA- (Stable)
NA	Long-term fund-based - Working capital facilities	NA	NA	NA	85.00	[ICRA]AA- (Stable)
NA	Short-term non-fund based – Working capital facilities	NA	NA	NA	104.00	[ICRA]A1+
NA	Short-term-Interchangeable limits	NA	NA	NA	(85.00)	[ICRA]A1+

Source: GMM Pfaudler Limited

Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
GMM Pfaudler Limited	100.00% (rated entity)	Full Consolidation
Mavag AG	100%	Full Consolidation
GMM International S.a.r.l	54%	Full Consolidation
Pfudler GmbH	54%	Full Consolidation
Pfudler Normag Systems GmbH	54%	Full Consolidation
Pfudler Interseal GmbH	54%	Full Consolidation
Pfudler France S.a.r.l	54%	Full Consolidation
Pfudler S.r.l	54%	Full Consolidation
Pfudler Limited	54%	Full Consolidation
Pfudler Services Benelux B.V.	54%	Full Consolidation
Pfudler Private Limited	54%	Full Consolidation
Pfudler Ltda.	54%	Full Consolidation
Pfaduler S A de C.V.	54%	Full Consolidation
Pfudler (Chang Zhou) Process Equipment Co. Ltd	54%	Full Consolidation
GMM Pfaudler US Inc	54%	Full Consolidation
Edlon Inc	54%	Full Consolidation
Glasteel Parts and Services Inc.	54%	Full Consolidation
GMM Pfaudler Foundation	100%	Full Consolidation

Source: Company and Group Financials

Note 1: ICRA has taken a consolidated view of the parent (GMMPL), its subsidiaries and associates while assigning the ratings.

Note 2: The above table includes entities taken over till June 30, 2022

Corrigendum

Date of the material event has been updated in the body of the rationale.

ANALYST CONTACTS

Sabyasachi Majumdar
+91 124 4545304
sabyasachi@icraindia.com

Girish Kumar Kadam
+91 22 6114 3441
girishkumar@icraindiacom

Anupama Arora
+91 124 4545303
anupama@icraindia.com

Sonam Kumari Agarwal
+91 22 6169 3357
sonam.agarwal@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)
info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



Branches



© Copyright, 2022 ICRA Limited. All Rights Reserved.

Contents may be used freely with due acknowledgement to ICRA.

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.