

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 Pfadler 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 Pfadler Limited in 1999, with Pfadler 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 Pfadler Inc. (ultimately held by Deutsche Beteiligungs AG) held around 32.7%.

GMMPL directly acquired a 34.45% stake in the Pfadler 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		Current Rating (FY2023)			Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Sep 30, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2022			Date & Rating in FY2021
						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
Pfudler S A de C.V.	54%	Full Consolidation
Pfudler (Chang Zhou) Process Equipment Co. Ltd	54%	Full Consolidation
GMM Pfudler US Inc	54%	Full Consolidation
Edlon Inc	54%	Full Consolidation
Glasteel Parts and Services Inc.	54%	Full Consolidation
GMM Pfudler 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.

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