

GMM/SEC/2020-21/24

August 20, 2020

To,  
**BSE Limited**  
Phiroze Jeejeebhoy Towers,  
1<sup>st</sup> Floor, Dalal Street,  
Mumbai – 400 001  
**Scrip Code: 505255**

**National Stock Exchange of India, Limited**  
Exchange Plaza, C-1, Block G,  
Bandra Kurla Complex, Bandra (E)  
Mumbai – 400 051  
**Symbol: GMPFAUDLR**

**Sub: Execution of definitive agreements to acquire a majority stake in the global business of the Pfaudler Group**

Dear Sir,

This is to inform you that the Board of Directors of GMM Pfaudler Limited (Company) at their meeting held on August 20, 2020, have, on the recommendations of the audit committee of the Company, approved the signing of definitive agreements in connection with the acquisition, by the Company, of a majority shareholding (54%) in global business of the Pfaudler group (details of the target entities are set out in Annexure I) (**Pfaudler Group**) from Pfaudler UK Limited (**Pfaudler Acquisition**). The Company will acquire 34.4% of the Pfaudler Group by itself and 19.6% of the Pfaudler Group through its wholly owned subsidiary, Mavag AG.

As part of the transaction, Mr. Tarak Patel (Managing Director of the Company) and Mr. Ashok Patel (Director of the Company) ("**Patel Family**"), will also acquire 26% of the shareholding in Pfaudler Group, through one or more entities. The balance 20% of the Pfaudler Group will continue to be held by Pfaudler International S.à.r.l. ("**Pfaudler S.à.r.l.**"), the existing ultimate shareholders of the Pfaudler Group. Pfaudler S.à.r.l. is ultimately owned and controlled by Deutsche Beteiligungs AG (DBAG) Fund VI (Guernsey) LP.

The Pfaudler Acquisition and the acquisition of stakes by the Patel Family will be undertaken through an entity in Luxemburg, GMM International S.à.r.l. ("**JV Entity**"). Pursuant to the aforesaid acquisitions, the Company will directly hold 34.4%, Mavag AG will hold 19.6%, Patel Family (through their entity) will hold 26% and Pfaudler S.a.r.l. will hold 20%, respectively, of the shareholding of the JV Entity.

The Board has approved the execution of the share purchase agreement and the shareholders' agreement in connection with the Pfaudler Acquisition. The consummation of the Pfaudler Acquisition is subject to the completion of various conditions precedent including obtaining regulatory approvals under anti-trust and foreign investment laws, of multiple jurisdictions across the world and the approval of the public shareholders in accordance with the provisions of Section 188 of the Companies Act, 2013 and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Details of the aforesaid transaction are noted in Annexure I in compliance of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Further, the press release for the Pfaudler Acquisition is also attached as Annexure II. Kindly take the same on record and disseminate the information.

Thanking you,

Yours faithfully,  
For **GMM Pfaudler Limited**

  
Tarak Patel  
Managing Director  
DIN : 00166183



Encl: As above

**GMM Pfaudler Limited**

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**ANNEXURE I**

1. *Name of the target entity, details in brief such as size, turnover etc.*

1.1. The target entities forming part of the Pfaudler Group and which are proposed to be acquired by the Company are set out below:

S.No.	Name of the Company	Location
1.	Pfaudler GmbH	Germany
2.	Pfaudler S.r.l.	Italy
3.	Pfaudler Limited	UK
4.	Pfaudler Services Benelux B.V.	Netherlands
5.	Pfaudler Private Limited	Singapore
6.	Pfaudler Ltda.	Brazil
7.	Pfaudler S.A. de C.V.	Mexico
8.	Suzhou-Pfaudler Glass-Lined Equip. Co. Ltd.	China
10.	A newly incorporated entity in Delaware holding the business of Pfaudler, Inc. in Rochester, New York, and the equity interests in Edlon, Inc. and Glasteel Parts and Services, Inc.	USA

The aforesaid target entities are being acquired along with their interests in all their subsidiaries and businesses across multiple jurisdictions. However, Pfaudler S.à.r.l.'s existing interest in the shares of the Company, will continue to be held entirely by Pfaudler S.à.r.l. through its subsidiaries.

1.2. The consolidated turnover of the target entities of the Pfaudler Group as on August 31, 2019 was USD 174 million with total assets of USD 236 million.

2. *Whether the acquisition would fall within related party transaction(s) and whether the promoter/ promoter group/ group companies have any interest in the entity being acquired? If yes, nature of interest and details thereof and whether the same is done at "arm's length".*

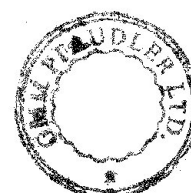
2.1. The Pfaudler Acquisition is a related party transaction under Section 188 of the Companies Act, 2013 and Regulation 23 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

2.2. The seller of the Pfaudler Group, Pfaudler UK Limited, is the holding company of Pfaudler Inc., which is also a promoter of the Company holding approx. 50.44% of the shares of the Company.

2.3. The transaction is proposed to be undertaken on an arms-length basis and in accordance with the negotiated terms set out under the definitive documents for the Pfaudler Acquisition. A valuation report from KPMG India Private Limited has also been obtained for purposes of the Pfaudler Acquisition.

3. *Industry to which the entity being acquired belongs*

3.1. The Pfaudler Group is a pioneer in the manufacturing and supply of corrosion – resistant technologies, systems and related services with main focus on the chemical, pharmaceutical and food industries. The key products manufactured by the Pfaudler Group are glass lined and alloyed equipment, fluoropolymers, sealing technologies, filters and dryers, engineered column systems, lab and process glass.



3.2. The Pfaudler Group's business is complementary to the Company's business.

4. *Objects and effects of acquisition (including but not limited to, disclosure of reasons for acquisition of target entity, if its business is outside the main line of business of the listed entity).*

Pursuant to the Pfaudler Acquisition, the Company shall become the ultimate holding company of the Pfaudler Group and the global business of the Pfaudler Group shall be consolidated at the Company level. Some of the benefits arising out of this transaction are set out below:

4.1 *Similar Business and Industry Focus:* There is a significant overlap in the businesses undertaken by the Company and the Pfaudler Group. Accordingly, it is expected that the proposed transaction will create significant cost synergies due to economies of scale, value engineering and the ability to leverage the strengths of both companies in their respective markets. Through the acquisition, the Company will become the world leader in corrosion resistance technologies, systems and services.

4.2 *Diversification:* The proposed transaction will significantly increase the Company's business verticals by bringing in new products, better technologies, customers and industry segments along with the addition of key brands in its portfolio. The Pfaudler Group has significant presence in various jurisdictions comprising 12 (twelve) manufacturing facilities in 8 (eight) countries. With this acquisition, the Company would now have access to markets in other countries as well. Further this transaction will also combine the Pfaudler Group's and the Company's management teams to execute a joint vision for the group's future.

5. *Brief details of any governmental or regulatory approvals required for the acquisition*

Prior to the completion of the Pfaudler Acquisition, the following key regulatory approvals may be required:

5.1 Approvals under anti-trust laws of Germany, Austria, Slovakia and United States of America will likely be required; and

5.2 Approvals/No objections/notifications under foreign investment/company laws of Germany, France, USA, Italy and Brazil will likely be required.

6. *Indicative time period for completion of the acquisition*

The Pfaudler Acquisition is expected to be completed in approximately 4-5 months.

7. *Nature of consideration – whether cash consideration or share swap and details of the same*

The consideration shall be paid in cash. The Company and Mavag AG will fund the acquisition through a combination of internal accruals and borrowings from requisite banks.

8. *Cost of acquisition or the price at which the shares are acquired*

The total cost of acquisition for the Company and its wholly owned subsidiary Mavag AG, is USD 27.432 million (for an aggregate of 54% stake in the Pfaudler Group). The Payment will be made in Euros at the exchange rate agreed under the Share Purchase Agreement.

Prior to completion, the target entities will also be required to pay an interest of USD 1 million to Pfaudler UK Limited or its affiliates. Post completion, the buyer group comprising of the Company, Mavag AG and the Patel Family shall be required to pay to Pfaudler UK Limited or its affiliates, subject to realization and net of taxes, costs and expenses, any amounts released



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from escrow in relation to sale of certain business in 2019 and from the sale of surplus land assets in Italy, wherein the earnouts payable from the escrow account will not exceed USD 1.3 million.

9. *Percentage of shareholding/ control/ acquired and/ or number of shares acquired*

9.1 The Company shall (directly and through its wholly owned subsidiary Mavag AG) acquire 54% shareholding in the Pfaudler Group. Pursuant to this acquisition, the Company will become the ultimate holding company of the Pfaudler Group.

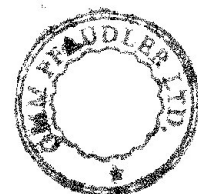
9.2 As part of the proposed transaction, the Company, Mavag AG, Millars Concrete Technologies Private Limited (an entity belonging to the Patel Family), Pfaudler UK Limited (belonging to the seller group) and GMM International S.à.r.l. (being the holding company in Luxembourg that will hold all the target entities) ("**JV**"), have entered into a shareholders' agreement. The salient features of the shareholders' agreement are as follows:

- (i) *Management Board*: The management board will comprise of the key management be professionals of the Pfaudler Group and GMM Pfaudler along with certain other members to be mutually agreed between the parties;
- (ii) *Reserved Matters*: Certain key decisions require the affirmative vote of each of the shareholders to be obtained;
- (iii) *Transfer Restrictions*: All the shares in the JV will be locked in for a period of 3 years. Thereafter, any shareholder shall be entitled to transfer their shares in the JV subject to a right of first refusal in favour of the other shareholders;
- (iv) *Non-Compete*: There are some customary non-compete obligations on Pfaudler UK Limited (being the seller).

10. *Brief background about the entity acquired in terms of products/line of business acquired, date of incorporation, history of last 3 years turnover, country in which the acquired entity has presence and any other significant information (in brief)*

10.1 The history of the Pfaudler Group dates back to 1884. Whilst the core business of the Pfaudler Group is glass lined and alloy equipment, its portfolio also comprises of fluoropolymers, sealing technologies, filters and dryers, engineered column systems, lab and process glass. The key industries for Pfaudler Group are chemicals, pharmaceuticals and food industries. The Pfaudler Group is a global leader for process solutions in an oligopolistic niche market with more than 20% of market share.

10.2 It has manufacturing facilities in various jurisdictions including Germany, Italy, United Kingdom, United States of America (New York and Pennsylvania), Switzerland, Brazil and China. The key brands of the Pfaudler Group are as follows: a) Edlon; b) Interseal; c) Mavag; d) Normag; and e) Pfaudler.



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ANNEXURE II

PRESS RELEASE

**GMM Pfaudler to acquire majority stake in the global business of Pfaudler Group**

- Transformational acquisition will make GMM Pfaudler the market leader in corrosion-resistance technologies, systems and services
- Revenue of the combined entity estimated to be around Rs. 20 bn (USD 266 mn\*)
- Patel family (promoters of GMM Pfaudler) to invest alongside GMM Pfaudler
- This acquisition is expected to be earnings accretive immediately to the shareholders of GMM Pfaudler

**Mumbai, August 20<sup>th</sup>, 2020:** GMM Pfaudler Limited (“GMM” or “Company”) today announced the signing of definitive agreements to acquire a majority stake in the global business of its parent, the Pfaudler Group (“Pfaudler”) from the private equity firm Deutsche Beteiligungs AG Fund VI (“DBAG”). As per the agreements, GMM (directly and through its subsidiary Mavag AG) and the Patel family will acquire, a 54% and 26% equity stake respectively in the Pfaudler Group. DBAG will continue to retain the balance 20% stake. The consideration for the 54% stake acquired by GMM, which is expected to be around USD 27.4 million, will be funded by the Company through a mix of internal accruals and debt.

Pursuant to the acquisition, GMM shall become the ultimate holding company with the entire business of Pfaudler being consolidated into the Company. The Company will have a consolidated revenue of Rs. 20 bn. and EBITDA of approximately Rs. 2.5 bn.

GMM will become the world leader in corrosion-resistance technologies, systems and services with 12 manufacturing facilities across 8 countries and 4 continents and employing around 1,500 people.

Management Commentary

Commenting on the transaction:

**Tarak Patel, Managing Director, GMM** said, “Over the last 5 years, we have shown an unparalleled track record of growth at GMM and it is now time to take our Company to the next level through this transformational acquisition. Being an integral part of Pfaudler for more than 3 decades, not only do we understand the business very well but have also managed to build a collaborative relationship with the different Pfaudler units around the world. This transaction is unique from the stand point that it combines the strengths of three very different partners - Promoter family, Professional Management and Private Equity which we believe will help extract synergies and create value for all stakeholders. On a personal level and as the third generation of a family business that began in 1963 it is a moment of great pride to see GMM enter the global stage.”

**Thomas Kehl, CEO, Pfaudler** said, “Over the last few years Pfaudler has spent significant capex in modernizing it’s manufacturing facilities across the globe. This transaction will bring synergies across multiple levels, the combined business will now be in a position to leverage GMM’s highly successful lean-production model and low cost to improve both revenue and profitability. In addition, our order book remains strong on the back of robust demand driven by the Chemical and Pharmaceutical industries. Together with the GMM management and DBAG, who we have worked closely with over the last 5 years we expect to complete a seamless integration and hit the ground running.”



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**Tom Alzin, Managing Director, DBAG** said, "The rationale behind our investment in Pfaudler in 2014 was to back a high-quality supplier of corrosion-resistant equipment in a global niche market. The Group's progress over the past 5 years along with the phenomenal performance from GMM validates our investment decision. As a former Board Member of GMM, I can say that we have built a strong relationship with the Patel family and remain committed to support the business through expansion of the product portfolio by add-on acquisitions. Given the synergies of the combined business and the long association between Pfaudler and GMM, we believe that the combined business will be EPS accretive from the start and we will continue to remain invested in the Company."

Subject to the satisfaction of certain closing conditions and regulatory approvals, the transaction is expected to close in November 2020.

Alvarez & Marsal and Trilegal acted as the exclusive financial and legal advisors respectively to GMM Pfaudler.

The company will conduct a call at 4.00 PM IST on August 24, 2020 where the senior management will discuss this transaction and answer questions from participants. To participate in this conference call, please dial the numbers provided below ten minutes ahead of the scheduled start time. The dial-in number for this call is +91 22 6280 1107/ +91 22 7115 8008.

#### About GMM Pfaudler

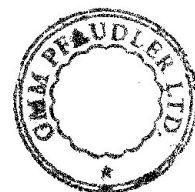
GMM is a leading supplier of process equipment to the pharmaceutical and chemical industries. GMM is the market leader and has more than five decades' experience in manufacturing Glass Lined Equipment. Over the years GMM has diversified its product portfolio to include Mixing Systems, Filtration & Drying Equipment, Engineered Systems and Heavy Engineering Equipment and is today a one stop shop for the chemical process industry. The Company has long standing track record of consistent dividends. For further details please contact [www.gmmpfaudler.com](http://www.gmmpfaudler.com)

#### About Pfaudler

Since 1884, Pfaudler has grown to be a truly global, multi-national and diverse company, employing over 1,500 employees and manufacturing facilities on four continents. Pfaudler is present on the market with several branded product lines covering a broad portfolio that includes fluoropolymers, filtration & drying, engineered column systems, lab & process glass, sealing technology and glass-lined & alloy systems. Our Systems and Services capabilities allow us to support our Customers from the lab to the full-scale production plant, including optimizing and improving the whole life cycle of any process equipment normally used in the chemical, pharmaceutical and food industries. Pfaudler is more, Much More than Glass-Lined. More information is available at [www.pfaudler.com](http://www.pfaudler.com)

#### About DBAG

Deutsche Beteiligungs AG, a listed private equity company, initiates closed-end private equity funds, and itself invests alongside those funds predominantly in well-positioned mid-market companies with development potential. DBAG focuses on those industry sectors where Germany's 'Mittelstand' is strong in inter-national comparison. A growing portion of DBAG's equity investments is de-ployed in its new focus sectors of broadband/telecommunications, IT services/soft-ware and healthcare. Its long-term, value-enhancing entrepreneurial investment approach makes DBAG a sought-after investment partner in the German-speak-ing world. DBAG Group's assets under management or advisory amount to 2.5 billion euros. For more information please visit: [www.dbag.de](http://www.dbag.de)



For more information, please contact:

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For **GMM Pfaudler Limited**



**Tarak Patel**  
**Managing Director**  
DIN : 00166183

