

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: 104/LM/Nov11

In the matter between:

Humulani Investments (Pty) Ltd

Acquiring Firm

And

Equipment Spare Parts (Africa) (Pty) Ltd

Target Firm

Panel Andreas Wessels (Presiding Member)

Medi Mokuena (Tribunal Member)

Takalani Madima (Tribunal Member)

07 March 2012 Heard on Order issued on 07 March 2012 Reasons issued on: 18 April 2012

Reasons for Decision

Approval

1] On 07 March 2012 the Competition Tribunal ("Tribunal") approved the merger between Humulani Investments (Pty) Ltd and Equipment Spare Parts (Africa) (Pty) Ltd. The reasons for approving the proposed transaction follow below.

Parties to transaction

2] The primary acquiring firm is Humulani Investments (Pty) Ltd ("Humulani"). Humulani is controlled by Invicta Holdings Limited ("Invicta") which holds 75% of the issued share capital of Humulani; the remaining shareholding in Humulani is held by Theramanzi Investments (Pty) Ltd and the Humulani Empowerment Trust, with a

- 20% and 5% interest respectively. Humulani controls various subsidiaries.
- 3] Invicta is an investment holding and management company. Humulani is the operating holding company of all the Invicta Group operations. The operating divisions of the Invicta Group are Bearing Man Group ("BMG"); Capital Equipment Group ("CEG"); and Tiletoria.
- 4] BMG is a specialist distributor of bearings, seals, power transmission components, electric and geared motors, belting, fasteners, filtration and hydraulics predominately used in the design, assembly, maintenance and service of machinery in industrial plants.
- 5] CEG imports and distributes original manufactured capital equipment and related spare parts of original equipment manufacturers ("OEMs"). These OEM spare parts are brand-specific and specifically designed for the use and maintenance of specific branded earthmoving, groundengaging, construction and industrial machinery.
- 6] Tiletoria imports and distributes tiles and related sanitary ware.
- 7] The primary target firm is Equipment Spare Parts (Africa) (Pty) Ltd ("ESP"). ESP is controlled by GB South Africa S.p.A ("GB South Africa") which owns 75% of the issued share capital of ESP. GB South Africa is part of the GB South Africa Group. ESP does not control any firm.
- 8] ESP procures and distributes non-OEM parts through various divisions. Through these divisions, ESP specialises in the procurement, distribution and retail of non-OEM aftermarket parts and replacement parts including ground engaging tools for earthmoving equipment; parts for Caterpillar and Komatsu-branded earthmoving and construction equipment; parts for Caterpillar, Cummins, Detroit and Komatsu heavy duty diesel engines; parts for a range of trucks; and undercarriage parts for earthmoving equipment. ESP also manufactures ground engaging tools primarily for Caterpillar and Komatsu earthmoving

equipment.

Proposed transaction and rationale for transaction

- 9] The proposed transaction involves Humulani's acquisition of 100% of the issued share capital of ESP. Upon implementation of the transaction Humulani will thus have sole control over ESP.
- 10]According to the acquiring group the rationale for the proposed transaction is that it will expand the operations of the Invicta Group's existing CEG operating division. It further submitted that ESP postmerger will be able to leverage off efficiencies generated by the bulk purchasing volumes of the broader Invicta Group.
- 11]The proposed transaction will enable GB South Africa to focus on its core business activities.

Relevant market(s) and impact on competition

- 12] According to the Competition Commission's competition assessment, the proposed transaction will result in a horizontal overlap in the activities of the merging parties and potential vertical effects.
- 13] The Commission did not take a definitive view on the exact parameters of the relevant market(s), but concluded that a horizontal overlap exists between the activities of the merging parties in a potential national market for the procurement and distribution of non-OEM spare parts for ground engaging, industrial and construction machinery. The postmerger market share of the merged entity in this market would be less than 5%. The Commission furthermore found that the competitors in this potential market include Centrax South Africa, Rocktech Earthmoving Wear Parts, Barloworld and ITR Africa Group. The proposed transaction therefore, from a horizontal perspective, is unlikely to substantially prevent or lessen competition.
- 14] The Commission further concluded that a vertical overlap exists in relation to the Invicta Group's purchases from ESP of non-OEM

undercarriage and ground engaging tool spare parts. The Commission however concluded that input foreclosure effects as a result of the proposed deal are unlikely due to the limited nature of historic purchases of the Invicta Group from ESP. In relation to potential customer foreclosure the Commission contacted relevant competitors. These competitors raised no customer foreclosure concerns since their customers mainly consist of individuals and firms who own earthmoving, ground engaging, industrial and construction machinery, who are mainly construction and mining firms.

15] We have no reason to doubt the Commission's findings.

Public interest

16] The merging parties confirmed that there will be no adverse effect on employment as a result of the proposed transaction. Furthermore, no other public interest issues arise as a result of this transaction.

CONCLUSION

17] Given the above, we conclude that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. Furthermore, the proposed transaction raises no public interest concerns. Accordingly, we approve the proposed merger unconditionally.

18 April 2012

ANDREAS WESSELS

DATE

Medi Mokuena and Takalani Madima concurring

Tribunal researcher: Nicola Ilgner

For the merging parties: Edward Nathan Sonnenbergs Inc.

For the Commission: Dineo Mashego

¹ See pages 48 and 111 of the merger record.