



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM064May18

In the matter between

Invicta South Africa Holdings (Pty) Ltd

Primary Acquiring Firm

And

**The businesses of Belt Brokers (Pty) Ltd, F and H
Machine Tools (Pty) Ltd, and Allied Putziger (Pty) Ltd
T/A Toolquip and Allied**

Primary Target Firms

Panel	: Andiswa Ndoni (Presiding Member)
	: Imraan Valodia (Tribunal Member)
	: Fiona Tregenna (Tribunal Member)
Heard on	: 1 August 2018
Order Issued on	: 1 August 2018
Reasons Issued on	: 30 August 2018

REASONS FOR DECISION

Approval

- [1] On 1 August 2018, the Competition Tribunal ("Tribunal") unconditionally approved the proposed transaction involving Invicta South Africa Holdings (Pty) Ltd ("Invicta SA") and the businesses of Belt Brokers (Pty) Ltd ("Belt Brokers"), F and H Machine Tools (Pty) Ltd ("F & H"), and Allied Putziger (Pty) Ltd T/A Toolquip and Allied ("Toolquip"), hereinafter collectively referred to as the merging parties.
- [2] The reasons for approval of the proposed transaction follow.

Parties to the transaction

Primary Acquiring Firm

- [3] Invicta SA is controlled by Invicta Holdings Limited ("Invicta Holdings"), an investment holding and management company listed on the Johannesburg Stock Exchange. The shares in Invicta Holdings are widely dispersed and as such no single shareholder controls Invicta Holdings. Invicta Holdings controls a number of other firms including Bearing Man Group (Pty) Ltd ("BMG") and Man Dirk (Pty) Ltd ("Man-Dirk").
- [4] Invicta Holdings, Invicta SA and all firms directly or indirectly controlled by them are hereinafter collectively referred to as the "Invicta Group". The Invicta Group operates through two divisions namely the Capital Equipment Group ("CEG") and the Engineering Solutions Group ("ESG"). Of relevance to the proposed transaction are the activities of BMG and Man-Dirk which form part of ESG operations.
- [5] BMG supplies engineering and industrial products. BMG's materials handling division supplies a range of conveyor products and related services for both light materials handling and bulk materials handling applications.¹ Man-Dirk is a specialist distributor of engineering tools and equipment which includes personal protective equipment, and lifting and welding products.

Primary Target Firms

- [6] The primary target firms are Belt Brokers, F & H and Toolquip. Pre-transaction the target firms were ultimately controlled by Westbrooke Investments (Pty) Ltd ("Westbrooke").
- [7] Belt Brokers is involved in the importation and manufacturing of conveyor belting and related components. It also provides related belting services such as maintenance and splicing.

¹ The two material conveyor beltings are differentiated from one another. Light material conveyor belts are used for indoor, non-mining applications such as food processing, printing and paper, packaging, bottling bagging handling and automotive. Whereas heavy material conveyor belts are used for surface and underground mining applications and to a lesser extent, in construction and agricultural industries.

- [8] F & H supplies premium brand machine tools to the metal forming, metal removal and metal cutting industries as well as ancillary spare parts. F & H products fall within the following product categories: EDM/wire cutting, gear manufacturing, grinding, tooling, machining, drilling, ironworkers, sheet metal and metal sawing.
- [9] Toolquip is involved in importing and distributing industrial equipment and engineering products. The products offered by Toolquip include *inter alia*, abrasives, cutting tools, pneumatics, hand tools and power tools.

Proposed transaction

- [10] In terms of the *Sale of Business Agreement*, Invicta SA will acquire the businesses of Belt Brokers, F & H and Toolquip. Post-merger, the target firms will be directly controlled by Invicta SA and indirectly controlled by the Invicta Group.

Impact on competition

- [11] The Commission considered the activities of the merging parties and identified a horizontal overlap in the following four markets: (i) the national market for supply of engineering and industrial products; (ii) the national market for the supply of hand tools; (iii) the national market for heavy materials handling conveyor belting; and (iv) the national market for the supply of after sale services for heavy materials handling conveyor belting.
- [12] The Commission also identified a vertical relationship between the merging parties as they sold certain engineering and industrial products to one another during the year 2017.
- [13] In its investigation the Commission found that the merged entity will have post-merger market shares of less than 15%, 10%, 30% and 35% in each of the respective relevant markets. In addition, the market share accretions in the first and second market are *de minimis*. In the third and fourth market, the market share accretions do not exceed 6%.
- [14] The Commission was of the view that the proposed transaction is unlikely to raise competition concerns as the market share accretions are relatively low. Further, the

merged entity will continue to face competitive constraints from other players in the markets.

[15] Regarding the vertical relationship, the Commission found that proposed transaction is unlikely to raise foreclosure concerns as the products sold between the merging parties account for less than 3% of the merging parties revenue.

[16] Given the above, the Commission concludes that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. We see no reason to differ from this conclusion.

Public interest

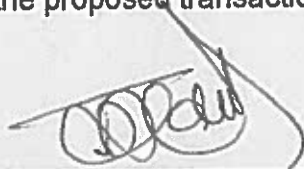
[17] A third party contacted the Commission and expressed its concerns in relation to the market for the supply conveyor belting. In particular, that the proposed transaction would have adverse effects on local manufacturers of conveyor belting. The third party was of the view that the proposed transaction would increase importation and further drive down pricing, thereby hindering local manufacturers' ability to compete.

[18] The Commission investigated the matter and found that the concerns were insubstantial. The merging parties were already heavily importing conveyor belts prior to the proposed transaction. Thus, the Commission was of the view that the proposed transaction would not change the market structure nor the procurement preferences of the merging parties as it was not introducing anything new.

[19] The merging parties confirmed that the proposed transaction will not result in any retrenchments or job losses. The proposed transaction raises no other public interest concerns.

Conclusion

[20] In light of the above, we conclude that the proposed transaction is ~~unlikely~~ to substantially prevent or lessen competition in any relevant market. In ~~addition~~, no public interest issues arise from the proposed transaction. Accordingly, we approve the proposed transaction unconditionally.



Ms Andiswa Ndoni

30 August 2018

Date

Prof Imraan Valodia and Prof Fiona Tregenna concurring.

Tribunal Researcher: Hlumelo Vazi

For the merging parties: R Rensburg and S Madlala of ENS

For the Commission B Ntshingila and T Masithulela