

**COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA**

Case No: 17/LM/Apr03

In the large merger between:

Trufit (Pty) Ltd

and

Cobra Group (Pty) Ltd

Reasons for Decision

Approval

1. On 4 June 2003 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between Trufit (Pty) Ltd (“Trufit”) and Cobra Group (Pty) Ltd (“Cobra”) in terms of section 16(2)(a). The reasons for the approval of the merger appear below.

The Transaction

2. This transaction entails a sale of the business of the Cobra Group, including the sale of the entire issued share capital of the subsidiaries, Cobra Brands and Caslead.
3. It is envisaged that pursuant to the transaction Trufit will amend its name to “Cobra Watertech” and continue the business of Cobra.

The Parties

4. The primary acquiring firm is Trufit, a special purpose company. The majority shareholders of Trufit are Ethos Private Equity Fund IV (“Ethos IV”) and Delta Group Limited, a subsidiary of Delta Plc (“Delta”). The remaining shares are held by management.

5. The primary target firm is the Cobra Group (Pty) Ltd, wholly owned by Cobra Investments (Pty) Ltd. Peglers Investments (Pty) Ltd (“Peglers”) effectively holds 62.4% of Cobra Investments. Peglers is a wholly owned subsidiary of Tomkins International Holdings BV.

Rationale for the Transaction

6. The parties submit that Tomkins International has identified Cobra as a non-core interest, which it is disposing of. On the other hand the transaction represents an equity investment for Ethos.

Evaluating the merger

The Relevant Market

7. Cobra is involved in the manufacture of taps, mixers, valves and related plumbing products generally used for domestic residential application. It is a supplier of professional plumbing products such as compression fittings, capillary fittings and manufactures components, which help with efficient water control.
8. Cobra is active in both the local and export markets. The parties submit that although Cobra has a relatively strong market position in South Africa, its world market share is negligible.
9. In the local market Cobra competes with ISCA, Probass, CTM / Italtile and other imported brands.
10. As a newly formed company Trufit is not active in any market. Its controlling shareholders, Ethos IV is an investment company, and Delta is not active in the market in which Cobra operates. None of Ethos IV’s investment companies operate in this market.

Impact on competition

11. Since there is neither product overlap nor any vertical relationship

between the parties, the Commission concluded that the merger would not have an effect on the competitive environment. Cobra will not exit the market thus the transaction does not result in a change in the market structure.

Public interest issues

12. The parties submit that TruFit intends retaining all the current employees. Accordingly, the transaction will not impact negatively on employment.

Conclusion

13. We conclude that the merger will not lead to a substantial lessening of competition. There are no employment or other public interest concerns, which would alter this finding. The merger is therefore unconditionally approved.

D. Lewis

12 June 2003

Date

Concurring: U. Bhoola, L. Reyburn.

For the merging parties:	Tabacks
For the Commission:	J. Mokwana, K. Ramathula, Competition Commission