

COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA

Case No: 19/LM/Mar02

In the large merger between:

Clidet No. 366 (Pty) Ltd

and

Dorbyl Metals Trading, a division of Dorbyl Limited

Reasons

Approval

1. On 10 April 2002 we approved the large merger between Clidet No.366 (Pty) Ltd (Clidet) and Dorbyl Metals Trading (Dorbyl), division of Dorbyl Limited without conditions. We set out the reasons for this decision below.

The Transaction

2. The transaction constitutes a management buy-out. Clidet is a special purpose vehicle owned by the DMT Investment Trust, a trust formed by the management of Dorbyl Metals Trading, and ABSA Limited for the purposes of acquiring Dorbyl. ABSA provided the finance for this acquisition.
3. Dorbyl Limited decided to sell Dorbyl because it was perceived not to form part of Dorbyl's core business.

The Relevant Market

4. The target firm, Dorbyl Metals Trading, consists of two trading divisions, namely, Baldwins Steel and Stalcor. Baldwins Steel processes and distributes carbon steel from plants in Vanderbijlpark and Isando. Stalcor distributes stainless steel and aluminium. It has trading depots or warehouses in Gauteng, Western Cape and Kwazulu-Natal.
5. Clidet is a shelf company formed specifically for this deal. The DMT Investment Trust has been formed specifically to hold the interests of the management of Dorbyl in Clidet and also has no other business activities in South Africa. ABSA provides services in retail and merchant banking, insurance, asset management and private equity investments.
6. Based on the above information available to it, the Commission in its report concluded that there is no overlap between the goods and services supplied by the parties to the merger. However, at the hearing of the matter, we were informed by the parties that a wholly-owned subsidiary of ABSA, Cutfin Proprietary Limited (Cutfin) has an indirect minority stake in a company called Abkins Steel, a small player in the steel industry which the parties claim has a less than one (1) percent market share. Cutfin's shareholding in Abkin's Steel apparently came about when Cutfin called in security for a loan it had advanced to Abkin's Steel - Abkin's Steel was at this stage in financial difficulty and heavily indebted to Cutfin. According to the parties, Cutfin is currently in the process of being sold and that transaction will in due course be notified to the Commission.

Impact on Competition

7. We agree with the Commission that this merger is unlikely to substantially lessen or prevent competition in any market.

Public Interest Issues

8. The business is being acquired as a going concern and most of the employees of Dorbyl will continue to be employed under Clidet post merger. Five (5) administrative staff will lose their jobs as a direct result of the merger. NUMSA, the registered trade union for Dorbyl employees, made no representations with regard to the merger.

Finding

9. The merger between Clidet No.366 (Pty) Ltd (Clidet) and Dorbyl Metals Trading (Dorbyl), division of Dorbyl Limited, is unlikely to result in the substantial lessening of competition. There are no substantial public interest issues resulting from the merger.

N. M. Manoim

15 April 2002

Date

Concurring: S. Zilwa; D.H.Lewis