COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA

Case No: 59/LM/Jul05

In the large merger between:

Theta Investments (Pty) Ltd

and

Teba Credit (Pty) Ltd

Reasons for Decision

APPROVAL

On 20 September 2005 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between the Theta Investments (Pty) Ltd and Teba Credit (Pty) Ltd in terms of section 16(2)(a). The reasons for the approval of the merger appear below.

The Parties

1. The acquiring firm is Theta Investments (Pty) Ltd. ("Theta"). Theta is controlled by African Bank Ltd ("ABL"), in turn controlled by African Bank Investments Limited ("ABIL"). ABIL has a specific business unit focussed on micro-financing, which is African Bank Miners Credit (p202). Theta has a number of subsidiaries, but none are involved in the relevant market, namely micro-financing.

2. ABIL is a JSE-listed entity and its shareholders comprise a variety of institutions and individuals.

3. The primary target firm is Teba Credit (Pty) Ltd ("TC"), a joint venture company controlled jointly by Teba Bank Ltd and Miners Credit Guarantee (Pty) Ltd ("MCG"). The latter is an operating company controlled by Theta.

The Merger Transaction

4. Theta is acquiring 50% of the shareholding in Teba Credit from Teba Bank Ltd. Therefore post-merger, Theta Investments will control TC and the joint venture will fall away.

Rationale for the Transaction

5. The joint venture company is experiencing problems between its shareholders due to allegations of breach of contract. This results in many deadlocks in decision-making at board level, where both ABIL and Teba Bank have board representation. Therefore sale of its share by Teba Bank is a means to terminate the existing relationship.

The relevant product market

6. TC was established as a joint venture company to provide unsecured personal loans to mineworkers. Theta is an investment holding company that provides micro-financing to various low-income customer segments. Within ABIL, it operates as the private equity and new business incubator vehicle and is a stand-alone entity with an investment portfolio. MCG provides unsecured loans (micro-financing) to mineworkers. The product overlap between the activities of the acquiring and target firms is in the area of provision of micro-finance to mineworkers/low-income consumers[1].

7. The Commission did not express a view as to whether the relevant market was that for providing personal loans to low-income consumers (broad market), or low- income mine workers (narrower market), since no competition concerns arise on either definition. We agree with this approach.

The relevant geographic market

8. Since mineworkers approach lending institutions in close proximity to them, the market for the provision of personal loans to low-income earners is local. The Commission identified 12 areas where such services are provided by both parties, but did not conclude on the precise parameters of the relevant geographic market.

Effect on Competition

9. The transaction will not change the competitive state of play of the market since TC's market shares are already captured in that of ABIL's.

[1] Micro-financing is described as a form of financing whereby small amounts of loans are made on a short-term basis. Currently, the Micro Finance Regulatory Council lists there being 1334 registered micro-finance institutions with 5051 branches around the country.

10. The merging parties assert that Teba Bank will, through this transaction, be released to compete with existing players in the market for micro-financing and it has fixed plans to do so. It owns some of the infrastructure and facilities through which micro-financing is conducted. In terms of the current structure and its fiduciary duty to the joint venture Teba Bank is prohibited from offering micro-finance services. Therefore this transaction is at worst competition-neutral and if the plans Teba Bank has to enter the market on its own, which the parties informed about us at the hearing come to fruition, might enhance competition.

11. Though market shares are high in some geographic areas, as high as 72%, the merger does not further concentration.[2]

Conclusion

We conclude that the merger will not lead to a substantial lessening or prevention of competition.

The Tribunal therefore approves the transaction unconditionally. There are no public interest concerns which would alter this conclusion.

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D. Lewis

20 September 2005
Date

Concurring: M. Mokoena, N. Manoim

For the merging parties:	J Campbell instructed by Levitt D'arcy Hermann on instructions of KPMG
For the Commission:	Odie Strydom (Mergers and Acquisitions)

[2] See record pages 220-222