



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case no: LM052Aug21

K2021544474 (South Africa) (Pty) Ltd (to be renamed Sandvik SRP RSA (Pty) Ltd)

Primary Acquiring Firm

And

Kwatani Global (Pty) Ltd

Primary Target Firm

Heard on: 14 October 2021

Order Issued on: 14 October 2021

Reasons issued on: 29 October 2021

REASONS FOR DECISION

- [1] On 14 October 2021, the Competition Tribunal (“Tribunal”) conditionally approved a large merger involving K2021544474 (South Africa) (Pty) Ltd (to be renamed Sandvik SRP RSA (Pty) Ltd) (“Sandvik SRP”) and Kwatani Global (Pty) Ltd (“Kwatani Global”).

Merging parties and their activities

- [2] Sandvik SRP is a newly formed company incorporated in accordance with the laws of the Republic of South Africa and does not control any firms. Sandvik SRP is controlled by Sandvik Holdings Southern Africa Limited (“Sandvik Holdings”). Sandvik Holdings is in turn controlled by Sandvik Aktiebolag plc (“Sandvik AB”). Sandvik AB is listed on the Stockholm Stock Exchange and is not controlled by any individual shareholder. Sandvik SRP and the firms directly or indirectly controlling it will be referred to as the “Sandvik Group”. In South Africa, the Sandvik Group controls several entities¹.
- [3] Globally the Sandvik Group is active in several areas including tools and tooling systems for industrial metal cutting, advanced stainless steel, and special alloys as well as products for industrial heating. The Sandvik Group also provides products and services for the mining and construction sectors to customers throughout Africa. In South Africa, the Sandvik Group (through the different entities it controls) provides rock processing products, including horizontal screens, grizzly feeders, and pan feeders to mining customers and inclined screens, grizzly feeders and pan feeders to quarry customers.
- [4] Kwatani Global, is a newly established company incorporated in accordance with the laws of the Republic of South Africa and is controlled by an individual, [REDACTED]. Subsequent to a number of internal steps resulting from the proposed transaction, Kwatani Global will control Kwatani (Pty) Ltd, Kwatani Holdings (Pty) Ltd and Mine and Quarry Supplies (Pty) Ltd. [REDACTED]

¹ Sandvik Holdings Southern Africa (Pty) Ltd; Sandvik (Pty) Ltd; Sandvik Mining RSA (Pty) Ltd; Seco Tools South Africa; Sandvik Financial Services (Pty) Ltd; and South Africa Newtrax (Pty) Ltd.

Kwatani Global and all the firms controlled by it will be referred to as the "Kwatani Group".

- [5] The Kwatani Group is an original equipment manufacturer of custom-engineered vibrating equipment including screens and feeders to both local and international customers operating in the heavy and precious metals and minerals sectors. The Kwatani Group exports products from South Africa to many other African countries. In South Africa, the Kwatani Group supplies multislope screens, horizontal screens, inclined screens, grizzly screens, other screens, pan feeders, electromagnetic feeders, and other feeders to mining customers. The Kwatani Group also provides horizontal screens to quarry customers.

Proposed transaction

- [6] The proposed transaction [REDACTED] will ultimately result in Sandvik SRP acquiring [REDACTED] in Kwatani Global from the seller, [REDACTED]. Upon implementation of the proposed transaction, Kwatani Global will be solely controlled by Sandvik SRP.

Competition assessment

- [7] The Competition Commission ("Commission") considered the activities of the merger parties and identified horizontal overlaps in respect of the supply of (i) horizontal screens to mining customers; and (ii) pan feeders to mining customers.
- [8] The Commission found that the merging parties will have combined national market shares of 10-20% in the supply of (i) horizontal screens; and (ii) pan feeders and that the Sandvik Group is a small player in these markets. Furthermore, the merging parties will continue to face competition from several other players active in these markets in South Africa, such as Vibramech, Metso (Outotec), Osborn Engineering and Schenck Process.
- [9] Customers and competitors raised no concerns regarding the effects of the proposed transaction on competition.
- [10] The Commission concluded that the merger is unlikely to substantially prevent or lessen competition in the abovementioned markets. We have no reason to disagree with this conclusion.

Public interest

- [11] Regarding potential employment effects, the merger parties submitted that the proposed transaction will not have a negative effect on employment.
- [12] We note that [REDACTED] employees have been retrenched within the Sandvik Group (but not at the primary acquiring firm) in South Africa in the 12 months prior to the proposed transaction. The Commission investigated this and found no evidence suggesting that the retrenchments are merger specific or in anticipation of the merger. Twelve of these retrenchments were at the Sandvik Drilling Consumable Division [REDACTED]. This is also evidenced by the fact that these retrenched employees were later re-employed [REDACTED].
- [13] Regarding the spread of ownership, as mentioned Sandvik SRP is a newly incorporated company established for the purposes of the proposed merger. Sandvik Holdings and Sandvik AB, the firms controlling Sandvik SRP, do not have any shareholding by historically disadvantaged persons ("HDPs", also referred to as "BEE shareholding").

- [14] The Commission, after assessing the pre-merger BEE shareholding, found that the proposed transaction results in a reduction in ownership by HDPs in the target firms [REDACTED]
- [15] The Commission therefore recommended the approval of the proposed transaction subject to the condition that Sandvik Holdings SA ensure that [REDACTED] from the implementation date of the transaction, a shareholding of at least [REDACTED] share in Sandvik SRP (the primary acquiring firm) will be transferred, on mutually acceptable commercial terms, to one or more B-BEEE shareholder/s. We have approved the proposed transaction subject to this condition.
- [16] The proposed transaction raises no other public interest concerns.

Conclusion

- [17] The proposed transaction raises no competition concerns. We have approved the proposed transaction subject to the abovementioned condition relating to the spread of ownership.

29 October 2021

Mr Andreas Wessels

Mr Enver Daniels and Dr Thando Vilakazi concurring

Date

Tribunal Case Manager:
For the Merger Parties:
For the Commission:

Junior Khumalo
Marianne Wagener of Norton Rose Fulbright
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