



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM162Dec22

In the matter between:

RMB Ventures Eight (Pty) Ltd

Acquiring Firm

and

**Mafika Engineering (Pty) Ltd, Mafika SA (Pty) Ltd
and Balcova Trading CC**

Target Firms

REASONS FOR DECISION

Approval

- [1] On 30 January 2023, the Competition Tribunal (“the Tribunal”) unconditionally approved the large merger wherein RMB Ventures Eight (Pty) Ltd (“RMBV”) intends to acquire █% interest in Mafika Engineering (Pty) Limited (“Mafika”), Mafika SA (Pty) Limited (“Mafika SA”) and Balcova Trading CC (“Balcova”), collectively referred to as “the Mafika Engineering Group of Companies.” Post-merger RMBV will obtain negative control through minority protection rights in terms of section 12(2)(g) of the Competition Act 89 of 1998, as amended (“the Act”).

The Parties

Primary acquiring firm

- [2] The primary acquiring firm is RMB Ventures Eight (Pty) Limited (“RMBV”). RMBV is controlled by █
█ is in turn controlled by █ and █
█ and █ is in turn controlled by █



Rationale for the transaction

- [7] *“RMBV is a private equity investor that acquires minority stakes in private companies with the aim of earning a financial return for the FirstRand Group. RMBV sees the Mafika Engineering Group of Companies as a business that meets RMBV’s investment criteria and falls within RMBV’s circle of competence. RMBV believes that, as an equity investor, its brand, reputation, investment experience and internal networks could be beneficial to Mafika Engineering Group of Companies.”*

- [8] *“Mafika Engineering Group of Companies has experienced significant growth in recent years. In order to sustain the growth and realise future prospects, the shareholders recognised the need to partner with RMBV with the primary objective of maintaining such expansion. Mafika Engineering needs to scale up rapidly and sustainably. In order to achieve this, Mafika Engineering will benefit from access to both the strategic experience and funding which RMBV provides.”*

Competition assessment

- [9] The Commission considered the activities of the merging parties and found that there is no horizontal overlap between the activities of the merging parties. This is because the acquiring firm is a private equity investor and does not own/control any firm that rebuilds and remanufacture HHP diesel engines.

- [10] The Commission also considered the market share of Mafika Engineering Group of Companies,⁴ in the relevant market and found that it is too low to raise substantial competition concerns. In addition, the Commission found that the proposed transaction does not result in any vertical overlap. The merging parties submitted that as a result, the proposed transaction will not result in any market concentration or increase in market share and will not increase the ability of the merged entity to influence a competitive outcome in the market.

⁴ ([REDACTED] %).

[11] For completeness, the merging parties submitted that there are approximately [REDACTED] HHP engines of all makes in operation in South Africa. Mafika Engineering Group of Companies has capacity to rebuild about [REDACTED] engines per year. This equates to a total SA market share of [REDACTED]%. The incumbent and dominant OEM's themselves collectively hold over [REDACTED]% of South Africa market share.

[12] Based on the above, the Commission is of the view that the proposed transaction is unlikely to result in any substantial prevention or lessening of competition in any market.

Public interest

Effect on employment

[13] The employees of RMBV are not unionised and are represented by Mr Raj Rawjee. The Commission engaged the employee representative of RMBV. RMBV's employee representative submitted that employees were notified and have not raised any concerns.

[14] The employees of Mafika Engineering Group of Companies are not unionised and are represented by Mr Lebohang Mogudi. The Commission engaged the employee representative of Mafika Engineering Group of Companies, Mr Lebohang Mogudi, who submitted that employees were notified and have not raised any concerns.

[15] The merging parties submitted that the proposed transaction will not have an adverse effect on employment in South Africa. After considering the above, the Commission did not find any evidence to suggest that the merging parties intend on retrenching employees as a result of this merger. Therefore the Commission is of the view that the proposed transaction is unlikely to result in any negative effects on employment.

Spread of ownership

[16] The merging parties submitted that Mafika Engineering is currently [REDACTED]% black owned, of which [REDACTED]% is held by black women. RMBV also has a comparable level of shareholding by HDPs being [REDACTED]% black owned of which [REDACTED]% is held by black women.

[17] The merger parties further submitted that Mafika Engineering intends to further improve its current BEE status by including additional shareholders who are HDPs, females and youth in its structure. In this regard, the parties submitted that Mafika Engineering and

Balcova intend to increase their HDP ownership to a ■% BEE ownership with an increase in the shareholding being held by black women and youth.

[18] The Commission noted that the merger parties have notable HDP ownership (including ownership by black women). The Commission has also confirmed that Mafika Engineering has a firm intent to increase the shareholding held by HDPs, this was confirmed by their commercial rationale which further affirms their intention to do so.

[19] Considering the above, the Commission is of the view that the proposed transaction does not raise any substantial public interest concerns.

Conclusion

[20] For the above reasons, we find that the proposed transaction is unlikely to substantially prevent or lessen competition in any relevant market. Accordingly, we approve the proposed transaction unconditionally.

Signed by: Imraan Valodia
Signed at: 2023-01-31 09:36:12 +02:00
Reason: Witnessing Imraan Valodia

Imraan Valodia

Prof Imraan I. Valodia

31 January 2023

Date

Ms A Ndoni and Ms S Goga concurring

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

Makati Seekane and Theodora Michaletos
Lucinda Verster of Fairbridges Wertheim Becker
Nhlakanipho Mbhense and Tamara Paremoer