



COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No: LM149Nov22

In the matter between:

CIH Projects No. 41 Proprietary Limited

Primary Acquiring Firm

And

**Conlog Proprietary Limited, Parmtro Investments
No. 11 Proprietary Limited, Conlog Metering
Solutions Nigeria Limited, and Cig Metering
Assets Nigeria Limited**

Primary Target Firms

Panel : Liberty Mncube (Presiding Member)
: Mondo Mazwai (Tribunal Member)
: Imraan Valodia (Tribunal Member)

Heard on : 22 December 2022
Order issued on : 22 December 2022
Reasons issued on : 24 January 2023

REASONS FOR DECISION

- [1] On 22 December 2022, the Competition Tribunal (“Tribunal”) unconditionally approved the large merger between CIH Projects No. 41 Proprietary Limited (“CIH”) and Conlog Proprietary Limited (“Conlog”), Parmtro Investments No. 11 Proprietary Limited (“Parmtro”), Conlog Metering Solutions Nigeria Limited (“CMS”), and Cig Metering Assets Nigeria Limited (“CMA”) (collectively the “Target Firms”).

Transaction

- [2] In terms of the proposed merger, CIH will acquire the entire issued share capital of the Target Firms. Post-merger, the Target Firms will be solely controlled by CIH.

Merging parties' activities

Primary acquiring firm

- [3] CIH is a special purpose vehicle and is controlled by CIH Projects No. 52 Proprietary Limited ("CIH Projects 52") as to 51%; and Nimble Credit Facility 2 (RF) Proprietary Limited ("NCF 2") as to 49%.
- [4] CIH Projects 52 is jointly controlled by Mantokozo Investments Proprietary Limited ("Mantokozo Investments") and Merino Investments Proprietary Limited ("Merino Investments"). Mantokozo Investments is controlled by the Mantokozo Investment Trust ("Mantokozo Trust") and Merino Investment is controlled by Merino Investment Trust ("Merino Trust"). The Mantokozo Trust and Merino Trust and all the firms they control are referred to as the "CIH Group".
- [5] NCF 2 is controlled by Nimble Group Proprietary Limited ("Nimble"). Nimble is ultimately jointly controlled by Matrix Investment Trust ("Matrix Trust") and Gordon Growth Trust ("GG Trust"). The Matrix Trust and GG Trust and all the firms they control are referred to as the "Nimble Group".
- [6] CIH Group and Nimble Group are collectively referred to as the "Acquiring Group".
- [7] The Acquiring Group's activities, relevant to the proposed merger, is through Jasco Electronics Holdings Limited ("Jasco"). Jasco is a manufacturer of electric components. Jasco also sources and supplies various components and solutions required in the power industry such as generators, solar equipment, switchgear, and voltage protection.

Primary target firm

- [8] The Target Firms are ultimately controlled by Consolidated Infrastructure Group Limited ("CIG"), which is in business rescue.
- [9] The Target Firms only conduct activities in South Africa through Conlog. Conlog designs, manufactures, and distributes prepaid and smart electronic metering devices and solutions in Africa, as well as provides revenue and payment management services. Conlog provides its electricity meters to the residential, commercial, and light industrial and renewable sectors. Conlog's activities are limited to the electricity meter segment and services associated therein and is not active in any other area of the power industry.

Competition assessment

- [10] The Competition Commission (“Commission”) considered the activities of the merging parties and found that the proposed merger does not give rise to any horizontal overlaps as none of the entities in the Acquiring Group compete with the Target Firms in the manufacture and supply of electricity meters and ancillary services. However, we found that the Acquiring Group supplies certain components required by the Target Firms to manufacture electricity meters.
- [11] Jasco has supplied Conlog with metal pressed parts and injection moulded components which are used as housings, brackets, and covers in the manufacture of electricity meters (the “Inputs”). Jasco utilises Conlog’s tools and moulds when manufacturing the Inputs. The Inputs are only supplied to Conlog.
- [12] The Tribunal found that input foreclosure is unlikely to occur as Jasco only manufactures the Inputs for Conlog utilising Conlog’s equipment and moulds. Thus, this manufacturing capacity does not form part of any contestable market for competition assessment purposes.
- [13] We also considered whether Jasco’s rivals are likely to be foreclosed from accessing Conlog as a customer of the Inputs. Other suppliers such as Astrapak Plastics, C & C Plastics, Sealtron, Gottfert, Allbro and Boltfix, manufacture a wide variety of products targeted at various industries, and not just electricity meter manufacturers. The aforementioned suppliers raised no concerns with the proposed merger.
- [14] Considering the above, we find that the proposed merger will not lead to any substantial prevention or lessening of competition in any relevant market.

Public interest

Employment

- [15] The merging parties provided an unequivocal statement that no retrenchments will arise as a result of the proposed merger.
- [16] CIH does not have any employees.
- [17] The employees of the target firms are represented by United Association of South Africa (“UASA”) and National Union of Metal Workers South Africa (“NUMSA”). UASA and

NUMSA were contacted by the Commission, who raised no concerns with the proposed merger.

Spread of ownership

- [18] The Acquiring Group has 51% ownership held by historically disadvantaged persons (“HDPs”).
- [19] The Target Firms, through Conlog, have an HDP shareholding of 2.71%.
- [20] Given the above, we view the proposed merger increasing the level of HDP participation in the Target Firms.
- [21] On this basis, we find that the proposed merger is unlikely to raise employment concerns and raises a positive effect on ownership.

Conclusion

- [22] Based on the evidence set out above, we concluded that the proposed merger is unlikely to substantially prevent or lessen competition in any relevant market. Furthermore, the proposed merger does not raise any public interest concerns.

24 January 2022

Prof Liberty Mncube

Date

Ms Mondo Mazwai and Prof Imraan Valodia concurring

Tribunal Case Managers:

Leila Raffee

For the Merging Parties:

Graeme Wickins and Nyiko Mathebula

For the Commission:

Wiri Gumbie and Beverley Chomela