

COMPETITION TRIBUNAL OF SOUTH AFRICA

Case No.: 87/LM/Oct06

In the matter between:

ROBOR (PTY) LTD

Acquiring Firm

and

THE STEEL TUBE AND PIPE BUSINESS OF

BARLOWORLD ROBOR (PTY) LTD

Target Firm

Panel: D Lewis (Presiding Member), N Manoim (Tribunal
Member), and Y Carrim (Tribunal Member)

Heard on: 9 November 2006

Order delivered on: 9 November 2006

Reasons delivered on: 05 December 2006

REASONS FOR APPROVAL

Approval

- 1] On 9 November 2006, the Competition Tribunal unconditionally approved the proposed merger between Robor (Pty) Ltd and the Steel Tube and Pipe business of Barloworld Robor (Pty) Ltd.

The parties and the merger transaction

- 2] The transaction constitutes a management buy-out in terms of which Robor (Pty) Ltd ("Robor") acquires the Steel Tube and Pipe Business of Barloworld Robor, with the Senior Management and RMB Ventures (Pty) Ltd ("RMBV") acquiring joint control of Robor. The Senior Management will hold 44% of the shares in Robor, which will entitle them to appoint a majority of directors on the board giving them de facto control. RMBV will provide funds to RBR Investment (Pty) Ltd, a Black Economic Empowerment shareholder, in order for them to acquire a non-controlling stake in Robor. RMBV will acquire a 28% stake in Robor and will, as a result of the funding and the rights attached thereto, acquire de facto joint control with the Senior Management. RMBV, is controlled by RMB Private Equity (Pty) Ltd which is a subsidiary within the First Rand Group of companies.
- 3] The primary target firm is the Steel Tube and Pipe business of Barloworld Robor. Barloworld Robor is controlled by Barloworld Ltd.

Rationale for the transaction

- 4] Barloworld is disposing of the business, which according to it has not been able to consistently meet its required return on investment through its business cycle.

- 5] RMBV indicated that the proposed transaction provides it with an investment opportunity falling within its investment portfolio while the Senior Management regards this as an opportunity to share in the ownership of the firm they operate.

Competition analysis

- 6] No change in the current market structure is envisaged post-acquisition. The Steel Tube and Pipe business of Barloworld Robor is involved in the manufacturing, beneficiation and distribution of steel and stainless tubular products.
- 7] Robor is a shelf company and has not commenced trading. First Rand Group is involved in retail banking, investment banking, corporate banking, private banking, life insurance, health insurance, asset management, employee benefit and short-term insurance services. The First Rand Group does not have existing interests in the steel industry.
- 8] The proposed transaction is therefore unlikely to substantially prevent or lessen competition in the relevant market as there is no overlap in the activities of the merging parties.

Public Interest

- 9] There are no job losses or any other significant public interests issues that arise from the transaction.

D Lewis

Presiding Member

M Manoim and Y Carrim concurring.

Tribunal Researcher:

R Badenhorst

For the merging parties:

L Mtanga (Bowman Gilfillan)

For the Commission:

H Ratshisusu (Mergers & Acquisitions)