

**COMPETITION TRIBUNAL  
REPUBLIC OF SOUTH AFRICA**

**Case No: 47/LM/Jul02**

**In the large merger between:**

**Clidet No. 403 (Pty) Ltd**

**and**

**Midas Limited**

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**Tribunal's Reasons for Decision**

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**Approval**

The Competition Tribunal issued a Merger Clearance Certificate on 23 July 2002 approving the merger without conditions. The reasons for our decision are set out below.

**The merger**

*The transaction*

The transaction involves a management buy-out wherein the business of Midas Limited ("Midas") will be transferred to Clidet No. 403 (Pty) Ltd ("Clidet 403").

The primary acquiring firm is Clidet 403, which is a special purpose vehicle created to hold the investment of ABSA Bank Ltd in Midas. The firm is not involved in any economic activity. The shareholding in Clidet 403 is as follows:

Midas Investment Trust ("MIT") <sup>1</sup>	40%
Clidet No 373 <sup>2</sup>	20%
ABSA	40%

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1 MIT has been formed specifically for the purpose of holding the interest of management in Midas. The firm is not involved in any other business activities.

2 The shelf company, Clidet No 373 (Pty) Ltd is currently controlled by MIT, which means that MIT indirectly holds the 20% through Clidet No. 373. The reason for this is to facilitate the transfer of this 20% shareholding in Clidet 403 to a suitable black economic empowerment partner at some stage in the future.

The primary target firm is Midas, which is controlled by Dorbyl Limited. Midas is a public company quoted under the “Industrial – Retail” list of the JSE Securities Exchange.

According to the parties Dorbyl is currently restructuring its businesses and disposing its non-core assets, which includes *inter alia* Midas.

### **Evaluating the merger**

Midas operates through a national hub and spoke distribution channel and reaches the retail market through 320 own franchisees which can be segmented into franchises that offer a wide range of products and services to motorists, trading as Midas Parts Centres, franchises that offer auto-electrical specialist services, trading as Motolek, franchises that service the diesel fuel injection and turbo markets, trading as Adco and franchise that offers clutch and brake services trading as CBS. Midas also sells products to other independent spare part shops, workshops, fleets, chain stores, engineering shops, etc.

In substance the merger amounts to existing Midas management buying out of Dorbyl’s interests with the assistance of ABSA as their funding partner. Since neither management, (who will constitute the majority shareholder through their direct and indirect holdings) or ABSA control any competitor of Midas there is thus no increase in concentration because the product markets of the merging parties do not overlap.

In light of the above we agree with the Commission’s recommendation that the merger will not substantially prevent or lessen competition.

### **Public interest**

The merger will not result in retrenchments and does not raise any other public interest issues.

**N. Manoim**

24 July 2002

**Date**

**Concurring: D. Lewis, M. Moerane**

For the merging parties:      Cliffe Dekker Attorneys
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For the Competition Commission: L Sikhitha