COMPETITION TRIBUNAL
REPUBLIC OF SOUTH AFRICA

Case No: 07/LM/FEB04

In the large merger between:

Zelpy 1734 (Pty) Ltd

and

Metallurg South Africa (Pty) Ltd

Reasons for Decision

Approval

1. On 3 March 2004 the Competition Tribunal issued a Merger Clearance Certificate approving the merger between Zelpy 1734 (Pty) Ltd and Metallurg South Africa **(Pty) Ltd** in terms of section 16(2)(a). The reasons for the approval of the merger appear below.

The Transaction

2. The transaction is a management buy-out, with RMB financing the management consortium.

3. This is essentially a two part transaction. In the first leg, the parent company, Metallurg Europe ("ME") will sell all its shares in and claims against the target firm, Metallurg SA ("MSA") to Corvest 2 Pty Ltd. Corvest 2 is RMB's investment vehicle. In the second leg of the transaction Zelpy 1734 will acquire the business and assets of MSA, as a going concern.

The Parties

4. The primary acquiring firm Zelpy 1734 (Pty) Ltd ("Zelpy") is a special purpose vehicle. It's shareholders are a consortium of the current MSA management and Corvest 5 (Pty) Ltd. Corvest 5 is a subsidiary of RMB

Corvest Limited. RMB Corvest is a member of the FirstRand Group of companies.

5. The primary target firm is Metallurg South Africa (Pty) Ltd ("MSA"). MSA is a wholly owned subsidiary of Metallurg Europe. The ultimate holding company is Metallurg Inc.

Rationale for the Transaction

6. Metallurg Europe has decided to sell MSA, its best performing asset, because it requires the funds. The current management of MSA were eager to purchase the business.

Evaluating the merger

The Relevant Market

7. MSA is described as a " trader of ferrous alloys, pure metals, nickel and magnesium, refractories, various chemicals and consumables" in the metallurgical industry. It has four separately managed business divisions:

   i) *Non-ferrous division*
   This division sells various types of primary and secondary aluminium, non-ferrous foundries, nickel (used in the electroplating industry) and other products such as arsenic, selenium and antimony.

   ii) *Refractory division*
   The refractory division sells insulating bricks to the cement industry and the steel works, as well as related non-asbestos products for insulation and ceramic fibre products. The division also specialises in products and services associated with rotary-kiln operations.

   iii) *Foundry division*
   This division sells base metals, various ferro alloys (including ferro chrome, ferro silicon and ferro manganese) and moulding products.

   iv) *Speciality division*
   This division sells products used in the steel works, welding and opthalmic industries. In respect of the steel works, the products include cored wire and nickel. Products sold to the welding industry include various metal based powders (eg. iron & chromium powder). The opthalmic industry purchases polishing pads and

polishing compounds used for spectacle lenses.

8. RMB does not have interests in any businesses that are active in any of the above markets.
9. There is no product overlap between the activities of MSA and Corvest or `any of the other FirstRand subsidiaries. Zelpy is shelf company with no trading history.

10. Thus there is no need to define a relevant market.

Impact on competition

11. Since there is no product overlap or vertical integration the merger will not have an effect on the competitive environment. MSA will not exit the market, thus the transaction does not result in a change in the market structure.

Public interest issues

12. The parties submit that all the current employees of MSA will be transferred to the primary acquirer. Accordingly, the transaction will not impact negatively on employment.

Conclusion

13. We conclude that the merger will not lead to a substantial lessening of competition. There are no employment or other public interest concerns, which would alter this finding. The merger is therefore unconditionally approved.

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D. Lewis

11 March 2003
Date

Concurring: N. Manoim, T. Orleyn.

For the merging parties:	Cliffe Dekker Attorneys
For the Commission:	M van Hoven and S Nunkoo, Competition Commission