



**competition commission**  
south africa

## **MEDIA RELEASE**

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### **COMPETITION COMMISSION PROHIBITS TILES AND SANITARYWARE MERGER**

The Competition Commission (Commission) has prohibited the proposed acquisition of Ceramic Industries (Pty) Ltd (CIL) and Ezee Tile Adhesive Manufacturers (Pty) Ltd (Ezee Tile) by Italtile Limited (Italtile). CIL, Ezee Tile and Italtile are directly and indirectly controlled by Rallen (Pty) Ltd (Rallen). Pre-merger, CIL is directly controlled by Rallen and post-merger, it will be directly controlled by Italtile.

Italtile is a retailer of ceramic and porcelain tiles, laminated boards, sanitaryware, brassware and bathroom accessories, décor, baths, showers and grout and adhesives to consumers. CIL manufactures and supplies tiles, sanitaryware and baths to retailers, including the retailers of Italtile Group, namely, Italtile Retail, CTM and Top T. Ezee Tile manufactures and supplies grout, adhesives and related products to retailers including the Italtile Group.

The proposed transaction creates a vertical overlap in the activities of the merging parties in relation to the upstream markets for the manufacture and supply of (i) tiles (ceramic and porcelain floor and wall tiles), (ii) sanitaryware, (iii) baths and (iv) grout and adhesives and related products and the downstream market for the retail sale of the products in South Africa. The Commission found that CIL has high market share in South Africa in the identified upstream and downstream markets.

The Commission found that CIL has made significant sales of tiles, sanitaryware and baths to the Italtile Group in the preceding financial year and continues to supply these products to the Italtile Group. In addition, Ezee Tile has made sales of adhesive, paint and related products to the Italtile Group in the preceding financial year and continues to supply the products to the Italtile Group. Ezee Tile also supplies the CIL Group's factory shops with grout, tile adhesive and related products. The Commission found that the merging parties would, post-merger, have the ability and the incentive to self-supply resulting in foreclosure of supplies to their rivals.

The Commission found that there are no viable alternatives for competitors of the Italtile Group in the downstream retail market should the merged entity foreclose retailers by raising prices, reducing supplies or outright refusal to supply. For instance, there is a limited number of local manufacturers of tiles, sanitaryware and bath products, who can counteract the potential foreclosure of downstream retailers likely to occur as a result of the merger. In addition, there are high barriers to enter the upstream markets (for example, the tiles market). The Commission also received significant concerns from market participants on the likely foreclosure effects post-merger.

In order to address the harm identified, the Commission considered a supply condition in respect to the affected products as tendered by the merging parties but found it inadequate to address the foreclosure effects post-merger. The Commission also considered a possible structural remedy to mitigate the high market share of CIL in the upstream markets, which was not feasible. The Commission therefore prohibited the proposed transaction.

“Tiles, sanitaryware and related products are essential in the construction sector particularly in residential and non-residential buildings, which markets are expected to grow significantly in the medium to long term. The Commission is concerned that the merger is in markets that are already highly concentrated. The merger would significantly consolidate the market position of the merged entity such that there are incentives to deny competitors of the merging parties in the retail space access to products such as tiles and sanitaryware. It is important that customers of these products enjoy competitive prices and choice”, says acting Deputy Commissioner, Hardin Ratshisusu.

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**For more information:**

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