



THE PROPOSED ACQUISITION OF THE ENTIRE BUSINESS AND ASSETS OF CEMTECH COMPANY LIMITED BY SIMBA CEMENT LIMITED

1. The Competition Authority of Kenya has approved the acquisition of Cemtech Company Limited by Simba Cement Company Limited.
2. Simba Cement Limited (Simba Cement), the acquirer, is incorporated in Kenya and ultimately owned by the Devki Group of Companies.
3. Simba Cement is involved in the production of clinker and distribution of cement in Kenya. It also produces related products like precast concrete paving blocks and ready-to-mix concrete. Simba Cement trades under the brand name National Cement.
4. Cemtech Company Limited (Cemtech), the target, is incorporated in Kenya. Cemtech holds limestone and clay deposits, and the requisite licenses, in West Pokot County. Limestone and clay are the key input in clinker production.
5. The proposed transaction involves acquisition of 100% of the business and assets of Cemtech by Simba Cement. The assets include; land, business intellectual property, business records, equipment, goodwill, licenses, stock and third party rights.
6. The proposed transaction therefore qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No.12 of 2010. Cemtech had no turnover for the preceding year and, therefore, for purposes of evaluating the proposed transaction, its assets, in lieu of turnover, were considered.
7. The activities of the acquirer and targets are as listed in paragraph 3 and 4 respectively. For purposes of analyzing the proposed transaction, the Authority determined the relevant product market to be the **market for the production and distribution of cement**.
8. Simba Cement distributes its products across Kenya. Cemtech envisions to distribute its products nationally once the operations commence and, therefore, the relevant geographical market is **national**.
9. Data from the Kenya National Bureau of Statistics (KNBS) indicates that the market players

in Kenya's cement sector, and their respective market shares, are: Bamburi Cement Limited (33%); Mombasa Cement Limited (16%); East African Portland Cement Company (15%); Savannah Cement (15%); National Cement (8%); and Athi River Mining Africa Limited (13%).

10. KNBS data indicates that cement production decreased by 8.2% from 6.7 Million tonnes in 2016 to 6.2 Million tonnes in 2017. Similarly, cement consumption and stocks decreased from 6.3 Million tonnes in 2016 to 5.8 Million tonnes in 2017 owing to reduced demand in the construction sector.
11. These market dynamics, coupled with competitive players, have resulted in a decrease in cement prices over recent years. In 2018, the average price of a 50kg bag of cement was KES 605 (USD 5.94) from an average of KES 687 (USD 6.75) two years ago
12. Post-transaction, there will be no change in the market share of the merged entity since the target has not yet commenced operations. Therefore, the merged entity will have a market share of 8%.
13. The Authority is, therefore, of the view that the merged entity is unlikely to raise negative competition concerns. Further, the merged entity will face competition from other cement manufacturers.
14. Based on the foregoing, the Authority's position is that the proposed transaction is unlikely to lead to substantial lessening or prevention of competition in the market for production and distribution of cement in Kenya.
15. In addition, the Authority considered that Cemtech has been dormant for a decade. Its shareholders have been looking a strategic partner to finance construction of a cement plant. The proposed acquisition is therefore expected to resuscitate the dormant firm, create jobs and raise the economic profile of West Pokot County.
16. Premised on the fact that the transaction is unlikely to raise negative competition or public interest concerns, the Authority approved the proposed acquisition of Cemtech Company Limited by Simba Cement Company Limited.