



THE PROPOSED ACQUISITION OF CERTAIN ASSETS OF TOP STEEL KENYA LIMITED BY ABYSSINIA IRON AND STEEL LIMITED.

1. The Competition Authority of Kenya has approved the proposed acquisition of certain assets of Top Steel Kenya Limited by Abyssinia Iron & Steel Limited on condition that the merged entity retains sixty six (66) employees of the target post-merger.
2. Abyssinia Iron and Steel Limited (Abyssinia), the acquirer, is a company incorporated in Kenya and is engaged in the manufacturing of iron and steel in Kenya. It produces various products including; Thermo-Mechanically Treated (TMT) bars and wire products like nails, British Reinforcement Concrete (BRC), chain link, barbed wire, round bars and binding wire. The firm also produces tubes.
3. Top Steel Kenya Limited (Top Steel), the target, is incorporated in Kenya. The target's sole business activity is manufacturing iron and steel in Kenya. The company predominantly produces TMT steel bars (99%) and round steel bars (1%).
4. The proposed transaction involves the acquisition of certain assets of Top Steel's by Abyssinia. The assets include include the target's plant and machinery, property, vehicles and other assets.
5. The transaction therefore qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No.12 of 2010. The parties' combined turnover for the preceding year was over Sh1 billion and, therefore, the transaction met the threshold for full merger analysis as provided in the Merger Threshold Guidelines
6. Based on the parties' aforementioned activities, the Authority defined the relevant product market for this transaction is the market for production and distribution of steel and steel products.
7. The undertakings manufacture and distribute steel and steel products throughout Kenya and therefore the relevant geographic market was defined as national.
8. Direct and indirect consumption of steel in Kenya is projected to increase as the country rolls out key development activities as envisioned by Vision 2030 Development Blueprint and the Big



Four Agenda. The continued expansion of the ports, railway and road networks as well as focus on affordable housing and manufacturing will further spur production and consumption of steel and steel products.

9. According to information received from the Kenya Association of Manufacturers (KAM) during the Iron and Steel Sector Study carried out by the Authority in Financial Year 2016-2017, there are slightly over thirty (30) registered iron and steel companies in Kenya.
10. Post-merger, the merged entity will have an estimated market share of 17% in Nairobi, 18% in Coast region, 33% in Western region and 4% in other parts of Kenya. The merged entity is expected to face competition from well established players such as Devki Steel Mills Limited and Tonoka Steels Limited.
11. Based on the foregoing, the Authority's view is that the proposed transaction is unlikely to lead to a substantial lessening or prevention of competition in the market for production and distribution of steel in Kenya.
12. The Authority considers the following public interest concerns during merger analysis;
 - i. extent to which a proposed merger would impact employment opportunities;
 - ii. impact on competitiveness of small and medium enterprises (SMEs);
 - iii. impact on particular industries/sectors; and
 - iv. impact on the ability of national industries to compete in international markets.
13. From the Iron and Steel Sector Study, it was evident that most companies in this sector are operating at excess capacity, negatively impacting employment.
14. The proposed transaction is likely to affect the target's 89 employees negatively following the merging of operations. The acquirer indicated that it intends to offer employment opportunities to approximately 66 specialized employees.
15. Premised on the above, the Authority approved the proposed acquisition of certain assets of Top Steel Kenya Limited by Abyssinia Iron & Steel Limited **on condition that the merged entity retains 66 employees for a period of 12 months from the date the transaction is closed in Kenya.**