

**COMPETITION TRIBUNAL  
REPUBLIC OF SOUTH AFRICA**

**Case no.: 13/LM/Mar03**

**In the large merger between:**

**Kulungile Metals (Pty) Ltd**

**and**

**Abkins Steel Corporation (Pty) Ltd and Abkins Steel Services (Pty) Ltd**

---

**Reasons for Decision**

---

**Approval**

On 14 May 2003 the Competition Tribunal approved the merger between Kulungile Metals (Pty) Ltd and Abkins Steel Corporation (Pty) Ltd and Abkins Steel Services (Pty) Ltd. The reasons are set out below.

**The transaction and parties thereto**

The primary acquiring firm, Kulungile Metals (Pty) Ltd (“Kulungile”) will acquire the Abkins Steel businesses, including its fixed assets and stock, as a going concern.

DMT Investment Trust, a management trust, holds 55% of the issued share capital of Kulungile and ABSA Bank Ltd the remaining 45%. Kulungile consists of two divisions namely Stalcor and Baldwins Steel.

Speedroll Industrial (Pty) Ltd wholly owns the target firms, Abkins Steel Corporation (Pty) Ltd and its subsidiary, Abkins Steel Services (Pty) Ltd (“collectively referred to as Abkins”). The target firms conduct steel merchandising businesses, trading as “Abkins Steel”.

**Rationale for the transaction**

According to the parties clients in this market generally desire “one-stop” shopping. Preference is, therefore, given to merchants who could fulfil at least 90% of the Bill of

Materials, required for a project. The proposed acquisition will broaden Kulungile’s product range, give it access to products and expertise it does not currently focus on and enable it to save on costs. All of which will enable it to compete more effectively with its larger competitors.

**Relevant market and market share**

Abkins, the target company, and Baldwins Steel, a division of the acquiring company, both process, distribute and trade in carbon steel plate products and heavy, medium and light structural carbon steel. Stalcor, Kulungile’s other division, is a stockist and distributor of stainless steel and aluminium products, in which Abkins is not a competitor.

The Commission, and we agree, identified five narrow product markets within which there is product overlap:

1. Thin gauge carbon plate;
2. Certified carbon plate;
3. Heavy structural carbon steel;
4. Medium structural carbon steel;
5. Light structural carbon steel.

The merging parties buy their steel primarily from Iscor, Highveld Steel, Cape Gate, Scaw Metals and imports. The Steel Millers all offer volume rebates for total tonnes bought per annum. Customers of the merging parties are the mini merchant market, fabricators who construct steel structures such as buildings, ship builders, earthmoving concerns, the mining industry and the automotive industry.

The top three competitors in the relevant product markets are MacSteel, Trident and Robor Group. Their market shares and that of the merged entity are as follows:

<b>Product market</b>	<b>Macsteel</b>	<b>Trident</b>	<b>Robor Group</b>	<b>Merged entity</b>
<b>Thin gauge carbon plate</b>	30%	20%	12%	<b>10.1%</b>
<b>Certified carbon plate</b>	40%	15%	15%	<b>11%</b>
<b>Heavy structural carbon steel</b>	40%	20%	10%	<b>7%</b>
<b>Medium structural carbon</b>	40%	20%	15%	<b>7%</b>

<b>steel</b>				
<b>Light structural carbon steel</b>	35%	20%	15%	7%

The parties aver that the merger will enable Kulungile to broaden its product and customer base. According to the parties Kulungile has concentrated its business primarily on thin, gauged material, sold as coils, and used in the automotive industry. In this market it holds a market share of 10% with Abkins enjoying a market share of less than 0.1%. Abkins on the other hand focussed its business on the heavy structural steel market, called quenched and tempered steel. This is hardened plate steel used in instances where you require resistance or impact resistance from metal such as in the mining industry or earthmoving industries. In this market Abkins enjoys a market share of 2% and Kulungile a market share of 5%.

### **Effect on competition**

We agree with the Commission that the merger will not substantially prevent or lessen competition in the relevant market. As can be seen in the above table the merged entity will be in a stronger position to compete with the three largest players in each of the relevant product markets. The merger is thus pro-competitive.

### **Public interest**

The transaction does not raise any significant public interest concerns.

\_\_\_\_\_  
N Manoim

9 June 2003  
**Date**

Concurring:, U Bhoola, P Maponya