



CAK DECISION ON THE PROPOSED ACQUISITION OF SOLE CONTROL OF CUMMINS C&G HOLDINGS LIMITED BY CAR & GENERAL (TRADING) LIMITED.

1. The Competition Authority of Kenya has unconditionally approved the proposed acquisition of sole control of Cummins C&G Holdings Limited by Car & General (Trading) Limited.
2. This approval has been granted based on the finding that the transaction is unlikely to negatively impact competition in the market for power generators and engines and the market for filtration equipment and coolants. Additionally, the transaction will not elicit negative public interest concerns, the two key considerations during merger analysis.
3. Car & General (Trading) Limited (Car & General) is a company incorporated in Kenya. It is a wholly owned subsidiary of Car & General (Kenya) PLC that is listed on the Nairobi Securities Exchange. Car & General's principal business activity is the supply, distribution, and maintenance of power equipment, household goods, agricultural tractors and implements, marine engines, motorcycles and three-wheeler vehicles, commercial laundry equipment, commercial engines, forklifts, excavators, asset financing and property holding.
4. Cummins C&G Holdings Limited (Cummins C&G) is a company incorporated in Mauritius. It is a joint venture that is equally owned by Car & General (Trading) and CMI Africa Holdings B.V. Its main commercial activities are the distribution of power generators and diesel engines, maintenance of power equipment, and sale of filtration equipment and coolants.
5. The proposed transaction involves the acquisition of the entire share capital of Cummins C&G by Car & General. The transaction, therefore, qualified as a merger pursuant to section 2 and 41 of the [Competition Act, No. 12 of 2010](#). The Act stipulates that a merger, or takeover, may occur when an undertaking directly or indirectly acquires control over another business within Kenya. This may happen through, among others, purchase/lease of shares, exchange of shares, vertical integration.
6. Further, merging parties whose combined turnover or assets, whichever is higher, is over Ksh. 1 Billion are required to seek approval from the Authority before implementing the proposed transaction. The transaction between Cummins C&G and Car & General met this threshold for mandatory notification and full analysis as provided in the [Competition \(General\) Rules, 2019](#).





7. During merger analysis, and in order to determine the impact that a transaction will have on competition, the Authority identifies the **relevant product market** as well as the **relevant geographic market**.
8. The **relevant product market** comprises products/services that are interchangeable or substitutable by consumers due to their characteristics, prices and/or intended use. Based on this criteria, the relevant product market for the proposed transaction is the **market for power generators and engines and the market for filtration in which the target is active**.
9. Determination of the **relevant geographic market** involves interrogating the area in which merging parties undertake the business and in which competition conditions are sufficiently similar. With regard to the proposed transaction, the target's customers are spread across the country. Therefore, the relevant geographic market is **national**.
10. Over the next three years, Kenya's power generator market is predicted to expand substantially on account of the establishment of Special Economic Zones (SEZs) as well as the development of Government-backed infrastructure projects, including technology cities and expansion of roads. The increased demand for power is expected to boost the market for generators. Additionally, the growing telecom sector, rising manufacturing industries as well as the expansion of business parks is expected to further spur the market for diesel generators.
11. Mobile solar panels are emerging as a substitute for diesel generators in remote locations. Mobile solar panel systems portend significant potential in military settings, disaster relief and remote work sites. In Kenya, there is an ongoing proliferation of solar lighting systems, which are substitutes, especially in rural areas. Further, most industries are adopting green energy (solar panels) to generate their own power, thereby reducing demand for generators.
12. One criteria for assessing a merger's impact on competition is the post-merger market share of the undertakings involved in the transaction. With regard to the proposed merger, the transaction is not expected to raise competition concern post-merger since it is an increase of shareholding by the acquirer in the target. Therefore, the market structure and concentration will be unaffected. Premised on this, **the proposed transaction is unlikely to lead to a substantial lessening or prevention of competition in the market for power generators and engines and the market for filtration in Kenya**.



13. During merger analysis, the Authority also considers the impact that a proposed transaction will have on public interest. Public interest in this case refers to various economically-inclined concepts that, when considered, protect the welfare of the Public. In the Competition Act, some of the public interest considerations are;
- a) extent to which a proposed merger would impact employment opportunities;
 - b) impact on competitiveness of SMEs;
 - c) impact on particular industries/sectors; and
 - d) impact on the ability of national industries to compete in international markets.
14. As per the parties' submissions, this transaction will not elicit negative public interest concerns. Specifically, regarding employment, the target's sixty-seven (67) employees will retain their employment under the same terms.
15. Premised on the aforementioned assessment, the Authority approved the proposed acquisition of the sole control of Cummins C&G Holdings Limited by Car & General (Trading) Limited unconditionally.