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**Section 57 of the Competition Act 2004**

**Grounds of Decision issued by the Competition and Consumer Commission of Singapore**

**In relation to the proposed acquisition by Green Steel Pte Ltd of shares in HG Metal Manufacturing Limited**

**Date: 12 August 2024**

**Case number: 400-140-2024-001**

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Confidential information in the original version of this Decision will be redacted from the published version on the public register. Redacted confidential information in the text of the published version of the Decision is denoted by [§<].

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## I. INTRODUCTION

1. On 6 June 2024, the Competition and Consumer Commission of Singapore (“**CCCS**”) accepted a joint notification from Green EsteeL Pte. Ltd. (“**EsteeL**”) and HG Metal Manufacturing Limited (“**HG Metal**”) (collectively, the “**Parties**”) for a decision as to whether EsteeL’s proposed acquisition of shares in HG Metal (the “**Proposed Transaction**”), if carried into effect, would infringe the section 54 prohibition.
2. In reviewing the Proposed Transaction, CCCS conducted a public consultation and sought feedback from third parties including competitors and customers of the Parties and BRC Asia Limited (“**BRC**”).<sup>1</sup>
3. At the end of the consultation process, CCCS concluded that the Proposed Transaction, if carried into effect, will not infringe section 54 of the Act.

## II. THE PARTIES

### *The Acquirer – EsteeL*

4. EsteeL is an investment holding company incorporated in Singapore with investments in Singapore, Malaysia and Indonesia. Among its investments, EsteeL holds a majority shareholding interest of 61.16% in BRC. In Singapore, BRC is active in the supply of prefabricated steel reinforcement products, specifically:<sup>2</sup>
  - a. BRC Weldfence, which is BRC’s proprietary fencing system;
  - b. prefabricated reinforcing steel products (“**Prefab**”);
  - c. reinforcing steel bars (“**Rebars**”);
  - d. cut and bend Rebars (“**Cut and Bend**”);
  - e. reinforcing steel wires; and
  - f. steel welded wire meshes (“**Mesh**”).
5. Apart from BRC, in respect of EsteeL’s active subsidiaries, EsteeL has other subsidiaries which engage in investment holding, as well as subsidiaries which are active outside of Singapore in nickel mining and the manufacture and sale of upstream steel and related products.<sup>3</sup>

### *The Target – HG Metal*

6. HG Metal is a publicly listed company on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). Its principal activities are the trading of steel products, and investment holdings. In Singapore, HG Metal supplies the following core types of steel products:

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<sup>1</sup> CCCS also obtained information from the Housing Development Board (“**HDB**”); Building and Construction Authority (“**BCA**”); Land Transport Authority (“**LTA**”); and JTC Corporation (“**JTC**”) as part of its review process.

<sup>2</sup> Paragraph 10.11 of Form M1.

<sup>3</sup> Note 14 to EsteeL’s financial statements for the financial year ended 30 September 2023.

- a. reinforcing steel products, which include Rebars, Cut and Bend, Rebar mechanical splice and thread (“**Coupler and Thread**”), Mesh, and Prefab; and
  - b. structural steel products.
7. Esteel held a pre-existing 5.33% shareholding interest in HG Metal as of the date of the Parties’ notification to CCCS.<sup>4</sup>

### **III. THE PROPOSED TRANSACTION**

#### *Nature of the Proposed Transaction*

8. The Proposed Transaction notified by the Parties is the second tranche of a two-part share placement exercise whereby Esteel will subscribe for 34,000,000 new ordinary shares and have a resulting shareholding interest of no more than 29% in HG Metal. HG Metal will remain publicly listed following the Proposed Transaction.<sup>5</sup>
9. The Parties submitted that as part of the Proposed Transaction, Esteel will acquire *de facto* control over HG Metal by acquiring certain rights,<sup>6</sup> which will allow Esteel to decisively influence HG Metal’s strategic commercial behaviour.

#### *Merger under Section 54 of the Act*

10. CCCS assessed that the Proposed Transaction constitutes a merger under section 54(2)(b) of the Act as Esteel will acquire and have control over HG Metal via the acquisition of rights as described in paragraph 7 above.

### **IV. COMPETITION ISSUES**

11. CCCS notes that BRC and HG Metal overlap in the supply of various reinforcing steel<sup>7</sup> and structural steel products<sup>8</sup> in Singapore. Apart from BRC, there are no horizontal overlaps between the goods and services supplied by Esteel and its other subsidiaries and those supplied by HG Metal and its subsidiaries in Singapore.
12. In light of Esteel’s 61.16% shareholding in BRC, CCCS considered the overlapping goods supplied by BRC and HG Metal in assessing the Proposed Transaction.

#### *Vertical Competition Concerns*

13. CCCS notes that the hot briquetted iron supplied by Esteel is rarely, if at all, used in the manufacture of reinforcing steel and structural steel products. CCCS also notes that BRC supplies reinforcing steel products to some of its competitors, and understands

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<sup>4</sup> Paragraph 1.1 of Form M1.

<sup>5</sup> Paragraph 12.4 of Form M1.

<sup>6</sup> Including rights relating to the approval of (i) HG Metal’s annual business plan and operating budget, and (ii) any expansion plan of HG Metal and any merger and acquisition involving HG Metal and/or HG Metal’s subsidiaries, with such rights being subject to ‘applicable laws and guidelines’ and for such period until Esteel ceases to hold more than 15% of interests (directly and indirectly) in HG Metal. Paragraphs 11.2.1 to 11.2.2 of Form M1.

<sup>7</sup> The overlapping reinforcing steel products are Rebars, Cut and Bend, Prefab, Mesh, and Coupler and Thread.

<sup>8</sup> The overlapping structural steel products are angle bars, flat bars, steel plates and beams.

that suppliers are able to switch to other suppliers, suggesting that BRC's ability to foreclose its competitors in the market for reinforcing steel products is limited. CCCS also did not receive any feedback on vertical concerns with respect to the market for structural steel products. CCCS therefore considers it unlikely that the Proposed Transaction will give rise to any vertical competition concerns after the Proposed Transaction.

14. CCCS accordingly focused its assessment on whether the Proposed Transaction will lead to horizontal anti-competitive effects in relation to the overlap between BRC and HG Metal in the supply of reinforcing steel and structural steel products in Singapore.

## V. COUNTERFACTUAL

15. CCCS considers the prevailing conditions of competition prior to the Proposed Transaction to be the appropriate counterfactual for this assessment. The available evidence does not indicate that the market structure or competitive dynamics in the counterfactual would differ from the status quo.

## VI. RELEVANT MARKETS

16. Based on the Parties' submissions and third parties' feedback, for the purposes of this assessment, CCCS considered the following markets:
  - a. The supply of reinforcing steel products (i) as a whole, as well as (ii) on a narrower basis in relation to each of the specific overlapping types of reinforcing steel products in Singapore ("**Overlapping Reinforcing Steel Products**"); and
  - b. The supply of structural steel products in Singapore ("**Overlapping Structural Steel Products**").

(collectively, the "**Relevant Markets**").

## VII. CCCS'S ASSESSMENT

### (a) Market Shares

#### *Reinforcing Steel Products*

17. The combined market shares of BRC and HG Metal for the Overlapping Reinforcing Steel Products was estimated at between [34 – 70]% on a consolidated basis. This crosses the indicative threshold in the *CCCS Guidelines on the Substantive Assessment of Mergers*. However, the market share figures also suggest that BRC and HG Metal are not each other's closest competitors in terms of size. CCCS also notes the presence of other suppliers in the market. Hence, it is necessary to consider other relevant factors for the assessment of whether the Proposed Transaction would give rise to a Substantial Lessening of Competition ("**SLC**") in Singapore.

#### *Structural Steel Products*

18. While CCCS was unable to obtain reliable market share estimates for Overlapping Structural Steel Products, third parties generally shared that they do not have concerns pertaining to the Proposed Transaction in relation to the Overlapping Structural Steel Products.

**(b) Barriers to entry and expansion**

***Reinforcing Steel Products***

19. Based on the Parties' submissions and third parties feedback, CCCS notes that barriers to entry include capital expenditure for factories, machines and material stockings; and barriers to expansion include factory space constraints.
20. CCCS is of the view that on balance, the barriers to entry for the supply of Overlapping Reinforcing Steel Products are not insurmountable and barriers to expansion for existing suppliers appear to be low.

***Structural Steel Products***

21. Based on the Parties' submissions and third parties' feedback, CCCS is of the view that the barriers to entry and expansion for the supply of Overlapping Structural Steel Products are likely to be even lower than the barriers to entry and expansion for the supply of Overlapping Reinforcing Steel Products. This is because the overlap between BRC and HG Metal only involves distribution and does not include processing of structural steel products. CCCS also notes that new and existing suppliers are able to source structural steel products globally or at least regionally. As such, CCCS considers that the barriers to entry and expansion for the supply of Overlapping Structural Steel Products are not insurmountable.

**(c) Countervailing buyer power**

***Reinforcing Steel Products***

22. Based on the Parties' submissions and third parties' feedback, CCCS considers that customers of the Overlapping Reinforcing Steel Products have some ability to negotiate and influence prices and terms of sales.

***Structural Steel Products***

23. Based on the information received, CCCS is of the view that customers may have some degree of countervailing buyer power for the Overlapping Structural Steel Products, similar to the Overlapping Reinforcing Steel Products. Customers may potentially procure from regional suppliers, which may strengthen the ability of customers to negotiate with local suppliers.

**(d) Non-coordinated Effects**

24. Based on the information received, CCCS assesses that the Proposed Transaction is unlikely to give rise to non-coordinated effects for the following reasons:

***Reinforcing Steel Products***

- a. BRC and HG Metal are not each other's closest competitors in the supply of Overlapping Reinforcing Steel Products in Singapore. BRC competes more closely with NatSteel Holdings Pte Ltd as the two largest suppliers in Singapore, while HG Metal is a relatively small player.
- b. Customers generally engage multiple suppliers for each reinforcing steel product and are able to switch between suppliers and source for new suppliers. The barriers to entry are not insurmountable, and barriers to expansion appear to be even lower.

***Structural Steel Products***

- c. Customers are able to switch between a wide range of suppliers, including regional suppliers that could exert a competitive constraint on BRC and HG Metal.
- d. The barriers to entry and expansion are not insurmountable.

**(e) Coordinated Effects**

25. Based on the information received, CCCS assesses that the Proposed Transaction is unlikely to give rise to coordinated effects for the following reasons:

***Reinforcing Steel Products***

- a. The barriers to entry and expansion are not insurmountable.
- b. The current excess capacity in the market could reduce suppliers' incentives or ability to coordinate.
- c. Customers are generally able to switch easily, and have some ability to negotiate with suppliers on prices.

***Structural Steel Products***

- d. Barriers to entry and expansion are not insurmountable.
- e. Customers could procure from regional suppliers and are able to switch suppliers easily that could limit suppliers' ability to coordinate.

**(f) Conclusion on Competition Assessment**

26. Based on the above considerations, CCCS concludes that the Proposed Transaction, if carried into effect, will not lead to an SLC in Singapore.

#### **VIII. EFFICIENCIES**

27. Given that the competition assessment did not raise SLC concerns, it is not necessary for CCCS to assess the efficiencies claimed by the Parties.

#### **IX. CONCLUSION**

28. For the reasons above and based on the information available, CCCS assesses that the Proposed Transaction, if carried into effect, will not lead to a SLC in Singapore and consequently, will not infringe the section 54 prohibition.
29. In accordance with section 57(7) of the Act, the decision will be valid for a period of one year from the date of CCCS's decision.



Alvin Koh  
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Competition and Consumer Commission of Singapore