

***Case No COMP/M.4605 -  
HINDALCO / NOVELIS***

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004  
MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION

Date: 08/05/2007

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COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 08/05/2007

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In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

To the notifying party:

Dear Sir/Madam,

**Subject: Case No COMP/M.4605 – Hindalco/ Novelis  
Notification of 28 March 2007 pursuant to Article 4 of Council Regulation  
No 139/2004<sup>1</sup>**

1. On 28. 03 .2007, the Commission received a notification of a proposed concentration pursuant to Article 4 and following a referral pursuant to Article 4(5) of Council Regulation (EC) No 139/2004 by which the undertaking Hindalco Industries Limited ("Hindalco", India) acquires within the meaning of Article 3(1)(b) of the Council Regulation control of the whole of the undertaking Novelis Inc. ("Novelis", US) by way of purchase of shares.

#### **I. THE PARTIES AND THE CONCENTRATION**

2. Novelis is a spin off from the Canadian aluminium producer Alcan Inc. It is active in the aluminium sector, both at the upstream level, with certain alumina and primary metal-related businesses in Brazil as well as in beverage can recycling, and at the downstream level, mainly in the manufacture of aluminium flat rolled products.

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<sup>1</sup> OJ L 24, 29.1.2004 p. 1.

3. Hindalco is Asia's largest integrated producer of aluminium. It is also active in the copper industry in Asia. It has no aluminium production operations outside of India.
4. The transaction concerns the acquisition of sole control of Novelis by Hindalco. Therefore, it is a concentration pursuant to Article 3 of the Merger Regulation.

## **II. COMMUNITY DIMENSION**

5. The proposed transaction does not have a Community dimension within the meaning of Article 1 of the Merger Regulation. However, given that the operation is reviewable under the national merger control laws of five Member States (namely Austria, Germany, Poland, Italy and the United Kingdom), the parties have requested, pursuant to article 4(5) of the Merger Regulation, the referral of the case to the Commission.
6. Since no Member State competent to examine the transaction has expressed its disagreement with such a referral request, the concentration is deemed to have Community dimension.

## **III. COMPETITIVE ASSESMENT**

7. The parties are active in three main groups of markets: (i) the upstream market for the production of aluminium, (ii) the production of semi-finished aluminium products (flat rolled products ("FRPs") and extrusions), and (iii) the production of some downstream aluminium products for packaging. The assessment will however be focussed on groups (i) and (ii), since in group (iii) the transaction does not give rise to overlaps in any relevant product and geographic market.

### **A. Relevant markets**

#### ***(i) Upstream markets for the production of aluminium***

8. The raw material for the production of aluminium is bauxite. Bauxite is mined and then refined into alumina using a four stage thermo-chemical process. Primary aluminium is produced by smelting alumina.
9. Secondary aluminium is obtained from the recycling of scrap-aluminium, for example aluminium used in beverage cans or waste from extrusions. Secondary aluminium can be further processed in a similar way to primary aluminium.
10. In previous cases the Commission has identified distinct product markets for: (i) bauxite; (ii) alumina; (iii) primary aluminium and (iv) secondary aluminium<sup>2</sup>. The geographic dimension for all of these markets was considered to be global<sup>3</sup>. The same market definitions are retained in this case.

#### ***(ii) Semi-finished aluminium products***

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<sup>2</sup> See respectively cases M.470-Gencor/Shell; M.1003-Alcoa/Inespal, and M.1161-Alcoa/Alox.

<sup>3</sup> See respectively cases M.470-Gencor/Shell; M.1003-Alcoa /Inespal, and M.1161-Alcoa/Alox.

11. Primary aluminium and secondary aluminium can be processed into various semi-finished products, including FRPs, which are concerned by the transaction, and extrusions. FRPs are produced in rolling mills and extruded products are produced in extrusion mills.
12. FRPs are flat aluminium products that are produced in a number of steps in hot and cold rolling mills. FRPs can be produced from both primary aluminium and secondary aluminium.
13. The parties agree with the findings of previous Commission's decisions in this sector<sup>4</sup>, in which FRPs is segmented into the following seven distinct product markets: (i) beverage can bodies, which encompasses the EEA plus Switzerland; (ii) beverage can ends, which encompasses the EEA plus Switzerland; (iii) food can bodies, which encompasses the EEA plus Switzerland; (iv) lithographic sheet, which is EEA-wide; (v) aluminium foil, which in turn may also be divided into four narrower markets: container foil, converter foil, household foil and industrial foil, which have been defined as being at least EEA-wide; (vi) automotive sheet, including both aluminium and steel automotive sheets, the geographic extent of which has been left undefined, and (vii) standard FRPs, which may be EEA-wide or wider.
14. With respect to aluminium extrusions, the Commission has previously distinguished the two following relevant product markets: (i) hard alloy extrusions, defined as an EEA-wide market, and (ii) soft alloy extrusions, also defined as an EEA-wide market. The same market definitions are retained in this case.

## **B. Competitive assessment**

### ***(i) Upstream markets for the production of aluminium***

15. With respect to the four upstream markets in which the parties are active (bauxite, alumina, primary aluminium and secondary aluminium), the transaction does not give rise to competition concerns as the combined market share of the parties is well below 15% in all of them.

### ***(ii) Semi-finished aluminium products***

16. The transaction does not give rise to any overlap as regards aluminium extrusions.
17. With respect to FRPs, out of the seven product markets previously defined, the transaction only leads to horizontal overlaps as regards: (i) the supply of standard FRPs, and (ii) aluminium foil (and the four sub-segments: i.e. container foil, converter foil, household foil and industrial foil).
18. With respect to the market for standard FRPs, it would not be an affected market at EEA level (Novelis [10-20]%, Hindalco [0-5]%). At world-wide level the combined market share would be around [10-20]%, but the addition of market share due to Hindalco's activities is negligible (Novelis [10-20]%, Hindalco [0-5]%).

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<sup>4</sup> See Cases COMP M. 3225 Alcan /Pechiney; M.1663 Alcan/Alusuisse; M. 1003 Alcoa /Inespal.

19. Regarding the markets for aluminium foil, at EEA level there would be no overlap of the parties' activities since Hindalco is not present in this market. At global level, the parties' combined market shares are below 15% for all the markets except for container foil, for which the combined share is around [40-50]%. However, the overlap is actually negligible (Novelis [40-50]%, Hindalco [0-5]%), while in the relevant EEA market there is no overlap at all as Hindalco makes all of its sales in India.
20. Based on the foregoing, the Commission concludes that the transaction is not likely to significantly impede effective competition in these markets.

*(iii) Vertically affected markets*

21. In certain European product markets for specific types of FRPs, more particularly beverage can body stock, food can stock and lithographic sheet, Novelis alone has a share of above 25%. Given that Hindalco supplies primary aluminium into the global market, and primary aluminium is a raw material for producing beverage can body stock, food can stock and lithographic sheet, these markets are vertically affected. However, given that Hindalco does not supply primary aluminium into the EEA, and that it has only a modest share of global production capacity (less than [0-5]%) the Commission considers that the transaction will not lead to any credible foreclosure concerns.

#### **IV. CONCLUSION**

22. For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the common market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of Council Regulation (EC) No 139/2004.

For the Commission,  
signed  
Neelie KROES  
Member of the Commission