



COMPETITION COMMISSION OF INDIA
(Combination Registration No. C-2014/07/193)

20th November 2014

Notice under section 6(2) of the Competition Act, 2002 given by Huhtamaki PPL Ltd.:

Order under Section 31(1) of the Competition Act, 2002

1. On 21st July 2014, the Competition Commission of India ('**Commission**') received a notice under sub-section (2) of Section 6 of the Competition Act, 2002 ('**Act**') given by Huhtamaki PPL Limited ('**HPPL**' or '**Acquirer**').
2. As stated in the notice, the proposed combination relates to acquisition of hundred percent shares of Positive Packaging Industries Limited ('**PPIL**') resulting in a merger of PPIL into HPPL. The Share Purchase Agreement ('**SPA**') in this regard was executed by HPPL, the shareholders of PPIL and PPIL on 8th July 2014.
3. HPPL, a listed company incorporated in India, is involved in the business of consumer packaging and is *inter alia* active in the areas of flexible packaging, labelling technologies, shrink sleeves and specialized cartons. As stated in the notice, HPPL also produces several other products such as rotogravure printing cylinders¹, polyethylene films etc. Huhtamaki Oyj, headquartered in Finland, is the parent company of the Huhtamaki group, which operates at worldwide level and has a majority shareholding in HPPL.
4. PPIL, a part of Enpee group which operates at worldwide level, is incorporated in India. As stated in the notice, the products of PPIL include flexible packaging,

¹ Rotogravure cylinders are shells on which designs are engraved. These cylinders are mounted on a printing machine to print those designs on a polymer film or paper.



labelling technologies and shrinks sleeves. PPIL also has integrated facilities for rotogravure printing cylinders, cast polypropylene films, polyethylene film etc.

5. In terms of Regulation 14 of the Competition Commission of India (Procedure in regard to the transaction of business relating to combinations) Regulations, 2011 (hereinafter referred to as '**Combination Regulations**'), vide letter dated 30th July 2014, the Acquirer was required to remove defects and furnish certain information/document(s). The Acquirer filed its response on 6th August 2014. Further, a letter seeking additional information under Regulation 5 and Regulation 19 of the Combination Regulations was issued to the Acquirer on 11th August 2014. The Acquirer filed its response on 4th September 2014 after seeking extensions in this regard. Further, vide letter dated 11th September 2014, the Acquirer was required to furnish certain information/document(s) by 17th September 2014. The Acquirer filed its response on 19th September 2014 after seeking an extension. Further, vide letter dated 25th September 2014, under Regulation 14 of the Combination Regulations, the Acquirer was required to furnish certain information / document (s) by 13th October 2014. The Acquirer filed its response on 19th November 2014 after seeking extensions.

6. As stated above, the parties to the combination are *inter alia* engaged in providing flexible packaging material and various categories of packaging and labelling solutions to the customers operating in various segments of the industry such as food, beverages, pharma, and Fast Moving Consumer Goods ('**FMCG**') etc. Flexible packaging involves the conversion and printing of plastic and cellulose films, aluminium foils and paper, which are used separately or in combination, to produce packaging products. It is observed that the FMCG industry is one of the largest consumers of flexible packaging products. Flexible packaging includes roll form laminates which are supplied to the customers in rolls of defined lengths and widths, pre-formed pouches comprising of flexible laminates and tube laminates wherein the product is packaged in a tube. The parties are also engaged in the manufacture of shrink sleeves and pressure sensitive labels, which are labelling technologies. Shrink sleeves are made up of glossy, printed polymer film and are supplied in roll form / single units which shrink and take the shape of a container on application of heat. A pressure sensitive label is a custom designed sticker, the top layer of which is either paper or a film. It is usually printed with multi-colour graphics and below the printed layer, an adhesive is used, followed by the layer of



either paper or film. During usage, the printed layer is released from the other layer and applied on to the container with a controlled pressure application.

7. As per the information provided in the notice, the flexible packaging market may be classified into three segments namely, roll form laminates, pre-formed pouches and tube laminates based on the type of flexible packaging laminates and the packaging formats. The flexible packaging market can also be segmented based on end usage markets such as food, beverages, confectionary, dairy, home & personal care, pharmaceuticals etc. As per the details provided in the notice, it is observed that, there are horizontal overlaps in the products of the parties in the business of flexible packaging which include roll form laminates, pre-formed pouches and tube laminates; shrink sleeves; and pressure sensitive labels. Further, as regards rotogravure cylinder, as stated in the notice, though both HPPL and PPIL manufacture rotogravure printing cylinders. HPPL produces the same only for captive use. As regards, the vertical relationship, it is stated in the notice that there is no significant vertical relationship between the parties except that HPPL purchases minor quantities of packaging film from PPIL every year, which is a minor proportion of PPIL's sales, and of HPPL's demand, and it is not a significant relationship for either HPPL or PPIL.
8. On the basis of information provided in the notice and further submission of the parties, the combined market share of HPPL and PPIL, in the overall flexible packaging is less than 5 percent. In some end user segments such as home & personal care and confectionary, the combined market share of the parties is relatively higher at around 10 percent.
9. As regards pre-formed pouches and roll form laminate segments of flexible packaging, the combined market share of the parties in these segments is also less than 5 percent. In the tube laminates segment of flexible packaging, although the combined market share of the parties is around 20 percent, there are other competitors present in this segment of the market. In the market of shrink sleeves and pressure sensitive labels also, the combined market share of the parties is less than 20 percent and 10 percent respectively.
10. The Commission, in its meeting held on 25th September 2014, considered the proposed combination and decided to seek opinion from Indian Institute of



COMPETITION COMMISSION OF INDIA



Packaging, Mumbai ('IIP') in relation to the flexible packaging market in India under the provisions of Section 36 of the Act and sub-regulation (3) of Regulation 19 and Regulation 34 of the Combination Regulations. The response of the IIP was received vide their letter dated 27th October 2014. The IIP in their response have submitted that along with HPPL and PPIL there are other leading manufacturers who are engaged in manufacturing of flexible packaging products including high grade packaging material in India.

11. Based on the information provided by the parties and other information available on record, the Commission, in its meeting on 20th November 2014, also noted that in the recent years, firms in the Indian packaging industry are attempting to upgrade their packaging technologies in order to produce high quality packaging materials so as to meet the requirement of FMCG companies and other industries using high grade packaging material. This was also substantiated by the IIP. In this regard, the parties have also submitted that the proposed combination would also lead to superior technological innovation in packaging and labelling solutions so as to adhere to the packaging norms and standards set by the consumers.
12. As already stated above, it is noted that the combined market share of the parties is not significant enough to raise any competition concern. There are other competitors also who are engaged in all the segments of flexible packaging and the labelling technologies market. Further, as also stated above, the customers of the parties who are mostly big corporates would have significant countervailing buyer power. The vertical relationship between the parties, as already stated, is insignificant, to raise any competition concern
13. Considering the facts on record and the details provided in the notice, the Commission is of the opinion that the proposed combination is not likely to have an appreciable adverse effect on competition in India and, therefore, the Commission hereby approves the proposed combination under sub-section (1) of Section 31 of the Act.
14. This approval is without prejudice to any other legal/statutory obligation as applicable.



COMPETITION COMMISSION OF INDIA



15. This order shall stand revoked if, at any time, the information provided by the Acquirer is found to be incorrect.

16. The Secretary is directed to communicate to the Acquirer accordingly.