



Company Profile: **Halcor**
Written by **GEMMA KENT**

SETTING THE BENCHMARK

Halcor already operates the biggest, most versatile and most cost-effective production plant for copper tubes in the EMEA region, but the company is not resting on its laurels. Following a recent merger with fellow Greek outfit Elval SA, Mr Panos Lolos, Commercial Director, explains how the copper tubes division is capitalising on natural synergies between the two companies, with a view to enhancing its footprint in key markets.

AS the world's appetite for heating, ventilation and air conditioning (HVAC) systems increases due to rising population levels, growth in per capita income, industrialisation, and increasing construction expenditure, so too does demand for the copper tubes that are used extensively in the production of HVAC units. Indeed, Technavio's latest analysis suggests that the HVAC segment accounted for 57 per cent of global demand for copper tubes last year, and predicts a CAGR of close to four per cent for the copper tubes and pipes market from 2018 to 2022.

Copper tube production is an important pillar of the newly formed ElvalHalcor SA, which emerged last December when copper specialist Halcor merged with Elval, a top-ranked European manufacturer of aluminium flat products. As of 1st March 2018 Halcor absorbed Elval, thereby creating a single financial entity that is listed on the Athens Stock Exchange (ATHEX), with a capitalisation of more than €515 million (US\$606m) and a current turnover of around €2 billion (US\$2.36bn).

Capacity for growth

On top of its involvement in a multimillion-dollar merger, Halcor is currently in the concluding stages of a major three-pronged investment programme due to be completed by the end of October. Mr Lolos provides an outline: "During this project – worth close to €20 million in total – we have carried out a lot of construction in order to expand our warehouses and facilities in general, which required us to acquire new land and utilise unused land already under our ownership. ↘"



“Secondly, we have added new machinery in order to increase our production capacity by around eight per cent, which was absolutely necessary considering we have been utilising more than 97 per cent of our capacity for the last two or three years, and demand remains strong for our product,” he affirms. “When investing in new machinery we focused on those prod-

ucts for which we see the greatest opportunity, better margins, and potential for us to play a key role in the future, such as HVAC products.”

Thirdly, Halcor has invested in a new line with a view to increasing its capacity to refine, purify and recycle copper for application in those products whose specifications permit the use of recycled copper. “The aim of this investment was to reduce costs and enhance our competitiveness, which is particularly important in the current market climate of high copper prices,” Mr Lolos explains. “In the last quarter of 2018 we will be in the position to utilise 100 per cent of the incremental capacity we have added throughout this investment programme, which will see our copper tube production capacity increase from 72,000 tons to more than 76,000 tons annually.”

Innovative products

Today, ElvalHalcor provides its global customers with versatile and sophisticated products under the two broad categories of aluminium and copper, the latter comprising three subdivisions: copper tubes, manufactured and sold by Halcor; copper and brass extruded products, produced by Greek subsidiary Fitco; and copper rolled products, manufactured in Bulgaria by Sofia Med. As the sole copper tubes producer in Greece, Halcor offers innovative and high value-added solutions to meet wide-ranging customer demands in

fields such as plumbing, HVAC&R, renewable energy, and industrial production.

“We have developed a number of new products in recent years,” states Mr Lolos, “including white painted copper tubes for the Nordic market; special alloy copper tubes for high pressures in the HVAC industry; and chrome III-plated copper tubes for plumbing installations. In fact, we are pioneers of this product in Europe, where we were one of the first to achieve excellent quality in line with the new EU regulations, which specify chrome III in place of chrome VI for environmental reasons.

“While the HVAC sector is a key growth driver for our business at present, we are also supplying cable shoe manufacturers and the automotive industry,” he continues. “Due to new regulations affecting the refrigerants that are now permitted for use, we are also supplying special alloys to a sub-segment of the HVAC industry. Indeed, this trend is driving us to produce customised products for specific applications.”

Delivering quality, faster

Halcor undoubtedly has a very clear vision for growth through continuous investment, both in terms of increasing the scope of its capacity and developing new products, which has been one of many driving forces of the business over the past four decades. “Secondly, we have a strong and effective leadership

at all levels, from top to middle management,” asserts Mr Lolos, “while a third driver has been our dedicated staff. Fourth is our concern for total quality management, which has a major effect on our performance with our customers.

“For example, we are committed to bringing our lead times forward and providing better information with respect to the dispatch of our products. In order to achieve this we made a substantial investment in the installation of new software that has enabled us to minimise our inventories, minimise lead times and improve delivery information through advanced planning and scheduling (APS),” he reveals. “Indeed, APS has become the epicentre of our efforts towards total quality management because it is very important to our customers, who are looking for accurate information and just-in-time deliveries. ▾



Mr Panos Lolos,
Commercial Director





“In addition, the copper tubes division recently achieved ISO 50001:2011 certification for energy management, which is further evidence of our desire to develop our activities in an environmentally considerate and sustainable manner.”

Robust demand

The fact that Halcor absorbed Elval and the two companies are now considered a single financial entity has, unsurprisingly, brought about major changes. “It has allowed the aluminium division to invest more than €150 million in capacity expansion, for instance – much larger than the investments that have taken place in the copper division,” notes Mr Lolos. One of the driving factors behind Halcor’s merger with Elval, however, was the fact that the two companies share a lot of synergies. “Elval possesses significant and sophisticated knowhow in the rolling sector, which we are keen to utilise for the production of copper and brass rolled products at our plant in Bulgaria. We also have synergies in raw materials sourcing and administration, and we share customers for common applications, such as heat exchangers,” he adds.

Halcor’s prestigious customers in the HVAC industry include Japanese multinational Daikin, Güntner, and Italian group Lu-Ve SEST, while in the cable shoe segment Halcor distributes its products to German firm Weitkowitz GmbH and BcF Italia. “We also supply major wholesalers such as Beijer REF, the sole distributor of Carrier air conditioning in 17 European countries, and Saint-Gobain, Europe’s biggest stockist for products related to construction,” Mr Lolos reports.

Moreover, Halcor maintains long-term exclusive partnerships with some wholesalers, including one with Spanish-based Coasol SA, which markets the Greek company’s copper tubes throughout Spain. Last year Halcor went a step further when it acquired a percentage of Italian-based C.M.S. Srl, Europe’s biggest wholesaler of industrial copper tubes, as part of its efforts to achieve vertical integration in the Italian market.

“Three years ago the European construction sector was stagnant, but we have seen some improvement due to countries such as Germany acting as a locomotive for growth in the region,” Mr Lolos reflects. “Of course, Germany is the economic powerhouse of Europe, anyway – it represents over one-fifth of the



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EU's GDP – but if we break down and analyse the growth in construction we can see that the trend is indeed positive, unlike the last few years. As well as growth in the German market we are seeing demand from Spain, which appears to have recovered completely from the crisis in 2010; Italy; the UK, although it is unclear how this market may be affected by Brexit; the Nordic countries, where demand is remarkably stable; and the US. We have also identified potential for our products due to robust demand in the GCC."

Providing sophisticated assistance

Reflecting on current trends and opportunities in these markets, Mr Lolos points out that although the European copper tube manufacturing landscape is changing rapidly, there is already a clear need for sophisticated manufacturers to cover the needs of the most demanding customers in the industry. "This means there is a pressure coming from the OEMs, who need their demands to be met, and this is certainly something we are ready to do, thanks to the various developments and improvements we have implemented over the last few years," he assures us. "Lead times and JIT deliveries are also a top priority for our customers at the moment, so this is a challenge we have to tackle."

A further trend to which Halcor is responding relates to the customisation of its products for certain

applications and customers, and the company has already succeeded in the production of tailor-made products that meet very particular demands for special applications. "One example of this is a product for the boiler market, which we developed in order to meet certain specifications relating to tolerances and mechanical properties," Mr Lolos tells us.

"Something else relating to customisation is the need to provide further technical assistance to our customers. In recognition of this trend we developed a heat transfer laboratory with the scope to design and manufacture internally grooved copper tubes, with special profiles for special customers in the HVAC sector. The better the design of the tailor-made profile, the higher the effectiveness of the heat exchanger," he states. "We provide this service free-of-charge, of course, as part of our determination to fulfil the demands of customers with a view to forming exclusive collaborations. We have certainly made considerable investments in our technical marketing department in recent years."

Widening the gap at the top

In the past seven years, Halcor has succeeded in becoming the number one manufacturer of copper tubes in Europe, with the biggest, most versatile and most cost-effective production plant for copper tubes in the EMEA region. Having managed to achieve this

during some challenging times, the company does not want to simply retain its position, says Mr Lolos. "We want to increase our footprint further by growing in key market segments of special interest, and improving our distribution in new and special markets, such as the US, the Nordics and the Gulf countries – through integration in those countries where we lack an effective presence."

Turkey is certainly a country of special interest to Halcor, going forward. "Indeed, we already have a successful 50:50 joint venture in the country, where we manufacture insulation and insulate copper tubes for

the local and neighbouring markets, and we recently increased our capital investment to facilitate further expansion in the future," he asserts. "We also see potential for new joint ventures in other countries, and this is a model we want to expand in line with the company's priorities."

"At the same time, we will be looking to improve our results for the sake of our shareholders and stakeholders. We definitely have a firm plan in place that will help us further utilise our leadership position in Europe while enhancing our footprint in other areas," Mr Lolos concludes. □



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