TOP GLOVE HOPES TO GROW CHINA SALES

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By NG MIN SHEN/ TMR Pix by Muhd Amin Naharul

TOP Glove Corp Bhd aims to grow its glove sales in China from the current 2% growth to surpass Japan's 8% within five years as it sees China as a market with tremendous expansion potential.

Top Glove founder and chairman Tan Sri Dr Lim Wee Chai said China's annual contribution to the group sales currently stands at about 2%, while Japan contributes some 8%.

"We are aiming to grow our sales in China to surpass that of Japan within the next five years," he told a press conference at the Invest Malaysia 2017 in Kuala Lumpur yesterday.

Lim said China's potential lies in its immense population and low glove usage at 5.3 pieces per capita versus Japan's 40 pieces per capita and the US' 166 pieces per capita.

The world's largest glove maker's present largest markets are North America at 32% and Europe at 29%. Asia, excluding Japan, holds 13% of its market, followed by Latin America with 10%. Japan represents 8%, while the Middle East holds 6% and the remaining percentage goes to Africa.

The company recently acquired two new factories in Muar and Nilai, which are expected to produce mainly for its China's market.

Despite the company's eye on China, the world's largest rubber glove maker with a 25% share of the global rubber glove market has ruled out mergers and acquisitions (M&A) in China for the time being due to the high cost of manufacturing there.

"We continue to expand through organic growth and M&As, but we may not want to acquire a company in China because the operation cost there is becoming more expensive.

“Labour cost, factory cost, land cost and operation cost are all going up. It’s not that competitive anymore in terms of manufacturing,” Lim said.

He said manufacturing labour cost in China was only half of Malaysia’s 15 years ago, yet now is the same, or even more expensive than that of Malaysia.

“Some manufacturing companies are moving out of China to Malaysia, Vietnam and Thailand. Manufacturing in China is not cheap anymore compared to 15 or 16 years ago,” Lim said.

Meanwhile, the company has also upped its capital expenditure budget for the first phase of its condom manufacturing segment to RM75 million.

Lim said the glove maker is in the process of setting up the factory and machinery, with projected operations to begin next year.

“We need to diversify our business to be more competitive. We’re confident that the condom manufacturing business will help us to capture more market share,” he stated.

Lim had previously told reporters at a media briefing in June this year that the group’s initial investment for its condom producing segment would amount to between RM20 million to RM30 million.

Initial contribution from the condom manufacturing segment to group revenue would likely register in its financial year ending Aug 31, 2018, onwards, at an estimated 5% of group sales, Lim had said.