

TOP GLOVE AIMS TO INVEST RM75MIL CAPEX FOR ITS CONDOM BUSINESS

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KUALA LUMPUR: The world's largest rubber glove manufacturer Top Glove Corp Bhd will invest about RM75 million in its condom business as it seeks to maintain the group's growth momentum via a diversification strategy.

As it already commands about 25% of the global market share in the glove industry and with more than 30 glove-making factories, Top Glove chairman Tan Sri Lim Wee Chai said that revenue growth would slow to only 3% per annum.

He added that the existing technology in the glove industry is more advanced than those in the condom manufacturing business, giving Top Glove an edge in its new venture.

“Capex (capital expenditure)- wise, it is also much smaller than the glove industry. Initially, we may invest about RM75 million in the first phase so that we can grow the business,” Wee Chai said during the group’s presentation at Invest Malaysia 2017 yesterday.

He added that the condom venture would start small. He expects the business to take off a year from now.

“We are setting up the facilities. Hopefully by August next year, we could tell you some stories,” he said, noting that the venture will initially be based on the original equipment manufacturer (OEM) model for business clients overseas.

He said the group has a competitive advantage as it has more than 3,000 customers. With about 5% of its customers in the condom business, Top Glove would have about 150 customers for its new condom business.

As for its glove business, Top Glove said there are opportunities to grow its business, especially in emerging countries and China.

According to the group’s executive director, Lim Cheong Guan, glove consumption in China stood at about 5.3 pieces per capita in 2014 compared with the United States’ 166 pieces.

Currently, sales to China only make up about 2% of the group’s total, but this is expected to increase beyond the Japanese market’s contribution of 8% in the next five years.

North America and Europe are the largest markets for Top Glove currently with a combined contribution of about 61%. Asia ex-Japan stood at 13% followed by Latin America with 10% while Japan, the Middle East and Africa made up 8%, 6% and 2% respectively.

Top Glove also saw an increase in its nitrile gloves production by about 839% over a seven-year period. Currently, nitrile gloves make up about 37% of its total product mix, which is a significant increase from 11% in its

financial year ended Aug 31, 2011 (FY11).

Given the strong demand for nitrile gloves and opportunities in China, the group is expanding its production capacity in Klang.

The expansion, which will be completed by 2018, would add 10.6 billion pieces of nitrile gloves to its annual production.

Cheong Guan said much research was done to increase automation in the manufacturing process, which was evident from the consistent reduction in manpower requirements.

In the third quarter of the financial year, the number of employees was reduced to 2.96 per million gloves as compared with 2016's industry average of about 3.8 employees per million gloves.

In the near term, Top Glove is confident that the price of latex will remain stable at the RM5 per kg range as it is close to its mean level.

At closing, Top Glove edged higher by 0.35% to RM5.74, giving it a market capitalisation of RM7.15 billion.

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