TOP GLOVE TO KICK OFF CONDOM BUSINESS NEXT YEAR

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SHAH ALAM: Top Glove Corp Bhd, the world's largest rubber glove manufacturer by market share, is set to start the production of its condom business next year, with an initial investment of RM30 million.

The RM30 million will be used to build a new condom manufacturing factory on a five-acre (2ha) site in Klang, Selangor and will see the setting up of up to 20 production lines.

Top Glove executive chairman Tan Sri Lim Wee Chai said the group targets to start production of one billion pieces per year and the condoms will be produced for the original equipment manufacturer business overseas.

“It’s a good business to go into because in terms of price-to-earnings valuation, it’s quite high. The profit margin is much higher than glove manufacturing,” Lim told a media briefing to announce the group’s results for the third financial quarter yesterday.

“Our competitive advantage is our market size. We currently have 195 countries in coverage, 3,000 customers, and [use] advanced technology,” said Lim.

He said, nevertheless, rubber gloves will remain as the group’s main product, targeting a 30% global market share by 2020 from 25% currently.

Lim also said the group continues to seek new opportunities for expansion of its glove business. It has three other new manufacturing facilities under construction in Klang, which upon completion will boost production capacity by 10.6 billion pieces of gloves per year.

For the third financial quarter ended May 31, 2017 (3QFY17), Top Glove posted a 24% increase in net profit to RM77.71 million, from RM62.46 million a year ago. Quarterly revenue jumped 29% to RM869.64 million from RM672.27 million in 3QFY16.

Lim said the quarterly performance was satisfactory, given the impact of sharp increases in raw material prices, which had affected sales orders, resulting in a 1% fall in sales volume.

For the cumulative nine months ended May 31, 2017, the group’s net profit shrank 20% to RM234.08 million from RM295.41 million a year ago, although revenue grew 16% to RM2.51 billion from RM2.17 billion.

Moving forward, Lim said the group expects the business environment to remain challenging, amid volatile foreign exchange rates. However, it expects stronger volume growth in 4QFY17, backed by declining raw material prices.