

TOP GLOVE DIVERSIFIES BUSINESS

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SHAH ALAM: Top Glove Corp Bhd is planning to produce condoms for the export market with an initial investment of RM20mil up to RM30mil in line with its plans to diversify its business.

This will be under the glove maker's original equipment manufacturer business.

While rubber gloves remained its core, executive chairman Tan Sri Lim Wee Chai said the condommaking business offered higher valuations in terms of price-to-earnings.

"Its a good business to go into as in terms of price-earnings valuations, it's very high.

"Manufacturing condoms is quite similar to making rubber gloves and we already have the technology.

“Apart from this, we have other competitive advantages such as our financial strength, land bank and market size that covers 195 countries,” Lim said on the sidelines of the company’s third quarter results briefing for the financial year 2017 (FY17) yesterday.

He said of the 100-200 acres in Klang, about three to five acres will be allocated for the condom facility.

“We will start small, but we are optimistic of the business in the longer term. “We will kick off with 20 production lines that can produce one billion to two billion pieces per annum,” said Lim, adding that the RM20mil to RM30mil will be used for building the facility and purchasing machinery.

While the directions are set to see the business start a year from now, Lim said capacity wise, the production speed of condoms was slower compared to that of rubber gloves, but this could be improved.

On whether Top Glove was all out to compete against bigger condom players such as Karex, Lim noted that it was good to have healthy competition in the industry.

Top Glove’s world market share for rubber gloves currently stood at 25% and the company aimed to achieve another 30% market share by 2020 via organic expansion and mergers and acquisitions.

Commenting on the company’s recent third quarter financial performance, Lim is optimistic of better average selling prices for rubber gloves in the next quarter that will improve its sales volume.

With raw material prices of natural rubber latex and nitrile seen to be tapering off since May, we can expect better margins in the fourth quarter, going forward, he added.

Asked on Top Glove's succession plan, Lim said the company had always thrived to hire young and energetic fresh graduates.

"Employees are our assets and future leaders of the company. Therefore, with transparency, we will have the right people to steer the company," he said.

Top Glove shares closed up two sen or 0.36% at RM5.51 yesterday, with 4.04 million shares exchanging hands.