

TOP GLOVE ON THE LOOKOUT FOR M&AS

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PETALING JAYA: Top Glove Corp Bhd is on the lookout for potential mergers and acquisitions (M&As) in rubber glove-related businesses, as part of its plans to expand its business to meet the strong demand in natural rubber gloves.

"On M&As side, we are looking for opportunities in related industries to further expand our business, given there is a strong demand in natural rubber gloves," its chairman Tan Sri Lim Wee Chai said during the group's conference yesterday.

"We are interested in acquiring existing glove factory. We hope this year we can acquire one or two companies," he added.

Lim said it is eyeing local companies that fit into its business operations, such as former suppliers and packaging materials suppliers for the glove manufacturing industry.

"It is an ongoing process and we are still waiting for the right time for the acquisition," he added, noting currently the group is operating 27 factories, of which 22 are located in Malaysia, four in Thailand and one in China.

On its expansion plan this year, he said another 14 production lines with a capacity of 1.8 billion pieces of gloves will be added, once its factory 27 in Port Dickson is completed by end of this year.

Two other factories, factory 30 in Klang and factory 6 in Phuket, Thailand are targeted for completion by September and July 2016, with a production capacity of 4.4 billion and 1.4 billion pieces annually respectively.

On the whole, the world's largest glove manufacturer is expected to have an additional 7.6 billion pieces annually by September 2016.

Currently its global market share stands at 25%, in which it aims 30% global market share by 2020, where it exports to 195 countries with more than 2,000 customers.

For second quarter of financial year ended Feb 28, 2015 (Q2 FY15), the group's net profit jumped by 35% to RM56.07 million from RM41.55 million a year ago, on the back of stronger US dollar, ongoing efficiency and quality enhancement initiatives and lower raw material prices.

It said in a filing with Bursa Malaysia yesterday, raw material prices has continued to trend downward compared with Q2 FY14, with natural rubber latex prices dropped by 24.8% to an average of RM3.63 per kg, and nitrile latex prices declined by 5.3% to an average of US\$1.03 per kg.

Revenue for the quarter also up by 4.37% to RM572.25 million, compared with RM548.27 million in the previous corresponding quarter, mainly due to a stronger US dollar. The group's net cash remains positive at RM142.8 million.

On its outlook, the group expects the glove business environment to remain competitive and challenging, in view of the intensification of competition in its nitrile glove segment and GST-induced inflation.

"However, in view of the continuing uptrend in glove usage in both developed and emerging markets, given the industry's resilience to economic uncertainty, our prospects remain promising," he said, estimating the industry to continue growing at a healthy rate of 5% to 6% yearly.

"We have delivered improved results even amidst concerns of oversupply. As we continue to work harder, faster and smarter to ensure we keep producing quality gloves at an efficient cost, I believe we can look forward to a very good year ahead", Lim added.

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