

TOP GLOVE EXPECTS LATEX PRICES TO RISE THIS YEAR

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On Monday, Top Glove announced it had listed the EBs with the principal amount being US\$200mil on Bursa Securities (under the exempt regime) and Singapore Exchange Trading.

KUALA LUMPUR: Top Glove Corp Bhd executive chairman Tan Sri Lim Wee Chai is bracing for higher latex prices this year.

“Last year, latex prices were low. So, I think it will go up this year. We hope that raw material prices will stay at manageable levels – not too high nor too low. (If it is) too low, it will not be sustainable. If it is too high, it will also not last. So, a medium price range would be good,” Lim said on the sidelines of the Invest Malaysia 2019 conference.

“Now, latex concentrate prices are at RM4.80 to RM5 per kg and I think this is a reasonable level. It cannot be too low like last year – it was below RM4. If it is too high at RM8 or RM10 per kg, it will also not be sustainable,” he added.

Latex is the raw material used in the manufacturing of rubber gloves.

The biggest rubber glove manufacturer in the world with 26% of the world market share said it would aim to always sustain profit margins at the 10% level despite the strong competitive pressures in the industry presently.

“Over the past 18 years, our profit margins have been at 10%. (During) certain years, it may be higher at 11%. (At other times) it could drop to 9% but on average, it will be at the plus or minus 10% level. We can maintain (it) at this level,” Lim said.

“Competition will always exist, competitive pressures exist in pricing, quality and service. So, we have to do a good job,” he added.

Commenting on its past acquisition of Aspion Sdn Bhd, Lim said it was not such a “good experience” but it would like to improve the situation.

“We are improving it. With our technology and strong marketing team, I think we can improve it within a few years,” he said.

In July last year, Top Glove said it was a victim of fraudulent misrepresentation and may have overpaid by RM640.47mil for Aspion, which it had acquired in April in that same year.

This had resulted in the stock plummeting 30% and erasing almost RM3.8bil off its market value the following trading day.

Despite the setback that it had encountered with Aspion, Lim said the company was still on the lookout for acquisitions as it pursues its growth strategy.

“We are still open for mergers and acquisitions but we have to be more careful this time around and learn from the past. We will continue to talk to a few glove players but we must be extra careful. At the same time, we are also expanding organically,” Lim said.

“We plan to grow capacity within these two years by about 33% from 60 billion pieces to 80 billion pieces per year of rubber gloves. Every year, we build about two or three factories. The industry is very healthy and demand is growing. But good business invites competition, so we have to stay efficient, quality and cost-wise,” he added.

He said the new factories are fitted with more advanced automation. Computerisation has paved the way for bigger capacities.

“There are more efficient lines coming in,” Lim said.

Meanwhile, Top Glove hopes to be able to get the certification for its new business to manufacture condoms by next month.

“Once certification is complete, we can start selling, hopefully by next month,” Lim said.