

TOP GLOVE IN EXPANSIONARY MODE, FOCUSES ON CHINA

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Top Glove in expansionary mode, focuses on China

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KUALA LUMPUR — Top Glove, the world's largest rubber glove manufacturer, is not resting on its laurels, but rather it is in an expansionary mode and is exploring synergistic mergers and acquisitions as a way of expanding its business.

Aside from this, it is also looking at the Chinese market very seriously and hopes to cash in on China's expanding population, heightened health awareness and higher hygiene standards.

As part of its expansion, it hopes to build one to two new factories every year in Malaysia and other Asian countries which have business-friendly policies.

"We are not in a rush to conclude deals as our priority is to identify good targets, or businesses with good valuations, which can immediately contribute positively to the group," chairman Tan Sri Lim Wee Chai told *Malay Mail* in an email interview.

Top Glove is one of the top-performing companies on the main market of Bursa Malaysia since its listing in 2001. It has been maintaining, approximately, a 50% dividend payout ratio for the last few years.

Additionally, it is also continuing to look at joint ventures and setups in related industries such as inner packaging materials, nitrile latex and condom manufacturing, with its first condom factory targeted for completion in 2018.

The first-phase of the two phase condom manufacturing plant would cost RM30 million for 10 production lines, followed by 10 more lines in the second phase which cost RM20 million.

A further RM25 million has been allocated for building the factory as well as to purchase the land it had acquired earlier.

The initial contribution from condom manufacturing to the Top Glove's profit is expected to be 5%, but Lim added that the company is confident of growing the business forward.

The factory will feature 20 double track lines with an estimated output of 2 billion pieces of condoms a year.



Top Glove holds 25% of the global glove market share and produces 51.9 billions pieces a year.
— Picture by Top Glove

Still, the glove manufacturer is not losing sight of the lucrative Chinese market with the acquisition of two new factories in Nilai and Muar which has a combined production capacity of 1.1 billion pieces of gloves per annum, and is expected to grow its market share in China.

"However China with its population of nearly 1.4 billion, is a huge market where demand is continuing grow in tandem with healthcare awareness, more stringent health regulations and either hygiene standards," Lim said.

Currently, China contributes about 2% of the group total sales. It aims to grow the sales volume in China further, and Top Glove is open to merger and acquisition opportunities that will enable it to do it efficiently.

Top Glove already has fingerprints

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in nearly every part of the world, with customers and gloves in 195 countries accounting for 25% of the world's market share for rubber gloves.

Its largest markets are North America at 32% and Europe at 29%. Asia, excluding Japan, holds 13% of its market, followed by Latin America with 10%. Japan represents 8% while the Middle East

holds 6% and the remaining percentage goes to Africa.

Top Glove is also focussing on increasing its sales in emerging countries which mean the potential for growth is promising.

"Our focus will be growing our sales in emerging and developing markets, where usage is relatively low but rapidly on the rise," Lee said.

It plans to achieve this by actively participating in trade shows to expand its customer base. "At the same time, we must ensure that we continue to deliver quality products at a low cost as well as provide good service to our existing customers to secure repeat orders," he said.

Top Glove has 32 factories and 550 Glove production lines, with a glove production 51.9 billion pieces per annum and 11,000 employees.