

TOP GLOVE TO SET ASIDE RM220M FOR CAPEX IN FY2017

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SHAH ALAM, Jan 5: Top Glove Corporation Bhd will set aside RM220 million for capital expenditure (Capex) for the 2017 financial year.

Executive Chairman Tan Sri Lim Wee Chai said about two-thirds of the amount would be used for building new capacity while the balance would be used for automation and refurbishment of existing capacity.

He said the group currently had 25 glove factories with 512 production lines.

Work is in progress to bring on stream another two factories operating 600 production lines by May 2018.

“We are centralising most of our capacity in Klang area as it is near to our head office and Port Klang. It will give us a good advantage.

“The group is expanding rapidly as the demand for gloves, globally, is still very good and consistently increasing.

“But we have to continue focusing on our quality and costing to sustain our business as the industry is very competitive,” he said at an analyst and media briefing on the company's first quarter 2017 performance ended November 30, 2016.

Lim also disclosed that global demand for gloves grew at an average of 6.0-8.0 per cent annually estimated at 190 billion pieces, per annum.

He said against a backdrop of increased raw material and labour cost plus foreign exchange fluctuation, Top Glove needed to opt for faster and more efficient production technology to maintain its margin.

The company had invested substantially in automating various processes including production, packing and quality assurance the past three years.

Meanwhile, Executive Director Lim Cheong Chuan said in 2013 the group spent close to RM100 million to replace some equipment with robotic parts and going forward, the company would continue to invest in automation throughout the manufacturing process in new and existing facilities.

“This will help reduce the reliance on foreign labour and mitigate increasing cost on labour,” he said, adding that the government's decision for employers to bear the foreign workers levy had increased labour cost by 3.5 per cent or 0.5 per cent on manufacturing cost.

Moving forward, Lim said the group hoped to grow revenue in the second quarter of 2017 by leveraging on volume growth of about 10 per cent it, registered in the past quarters, through capacity expansion.

The group would also strive to attain a market share of 30 per cent in 2020 by strategising to capture emerging markets for gloves like China, India and Russia. ? *Bernama*