

TOP GLOVE TO FORM JOINT VENTURE WITH JAPAN'S FIMATEC, MOVE SEEN TO CUT COST IN LONG-RUN

28 March 2017 / 12:03



KUALA LUMPUR (NewsRise): Top Glove Corporation, the world's largest rubber glove maker by capacity, is partnering Japan's Fimatec to produce reinforcement agent used in manufacturing of gloves in a move that analysts said will help reduce cost in the long run.

The companies will establish a joint venture that is expected to begin operations by first quarter of 2018, Top Glove said in an exchange filing. Top Glove will hold a 70% stake in the joint venture, while Fimatec, which produces industrial inorganic chemicals, will hold the remainder 30%.

"The JV is a long-term investment plan for Top Glove," the company said. "It aims to reduce the overall glove production cost, improve glove quality and production efficiency through the supply of good and consistent quality of rubber reinforcing agent."

Analysts say the joint venture could help in driving manufacturing costs lower as Top Glove currently buys most of its rubber reinforcement agent from third-party suppliers.

"We view positively Top Glove's move to own links in its supply chain, as this would result in leaner cost of production and better control on the quality of material inputs," said AmlInvestment Banks' analyst Christine Chua.

Based on Top Glove's estimates, the joint venture is expected to supply about 75% of its internal requirement and cut annual cost by 10 million ringgit-about 4% of total chemical costs, or up to 2% of fiscal 2018's earnings, Chua noted.

Top Glove Executive Chairman Lim Wee Chai had said on March 16 that the company would consider joint ventures with "supporting industries" while it pursues acquisition opportunities as part of its ambitious target of capturing 30% global market share.

Top Glove shares, which have gained 5.2% over the past one year, ended unchanged at 4.99 ringgit apiece.