

Kossan plans first overseas plant

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By Zaidi Isham Ismail

The proposed plant, either in Indonesia, Vietnam or Thailand, will help the rubber glove maker meet its volume growth annually of 15-20 per cent in capacity.

Kossan Rubber Industries Bhd (7153), one of the country's major rubber glove makers, plans to set up its first overseas plant either in Indonesia, Vietnam or Thailand, and may invest up to RM60 million.

"This is part of our ongoing expansion plan and we are looking at all possible locations in those countries," chief executive officer and managing director Lim Kuang Sia told Business Times at the company's headquarters in Klang, Selangor recently.

He said the company has not decided on the timing of the move, but "we will be cautious and prudent (about our overseas expansion) and won't jump into it".

The proposed plant will help the company meet its volume growth annually of 15-20 per cent in capacity.

Kossan Rubber has five plants in Malaysia.

Lim said he still prefers to do business in Malaysia due to its good investment climate and infrastructure.

However, he is aware that he has to go overseas eventually due to **cheaper labour, difficulty in hiring local managers, gas, land availability and to be nearer to raw material suppliers**. Indonesia, Vietnam and Thailand are the world's top five natural rubber producers.

Lim expects demand for rubber gloves to remain strong in 2010. The company churns out **12 billion pieces of rubber gloves a year or 12 per cent of the world rubber glove market**.

He said demand is growing from "everywhere" around the world, not so much from the influenza A (H1N1) pandemic but from all sectors.

"Growth is everywhere across all sectors such as food, cleanroom, medical and other hygienic concerns.

"Rising health awareness has caused customers to not reuse gloves, and increasing affluence has made rubber gloves affordable," he added.

Lim also said that Kossan Rubber was open to a merger or acquisition with its rivals if that was "synergistic with its operations, fair and creates value".

"If a merger creates a bigger company but destroys the value, what for? If there are no offers, we will do business on our own," he said, noting Kossan's strong cash flow and low gearing.

Sourced from: <http://www.smecorp.gov.my/archive/2010/01>