

Careplus: Size is not everything

Glove maker confident of progress as long as it has niche and competitive edge



by Lim Chan Yai

BEING BIG has its advantages for companies as it offers them more resources and better cost structure. However, for Careplus Group Bhd, size will not hold back its progress as long as it has its niche market and competitive edge.

Careplus group CEO and executive director Lim Kwee Shyan says being big has certain inherent advantages over being small, but he believes each company has its own playground and ability to survive.

"Economies of scale are not a life or death game. If you are not in the range you will die, I do not agree with that. As far as size is concerned, do not let the generalisation hold you back," he tells *FocusM* at the company's head office in Seremban.

Careplus manufactures and trades in latex, nitrile, and vinyl gloves, besides other disposable protection products such as face masks, respirators, gowns and caps.

Analysts have often claimed the ongoing price competition among glove manufacturers will impact smaller players more as they lack economies of scale.

"A good [business] ecosystem should consist of small, medium and large players. Smaller players can be very innovative and critical in generating ideas. I say this not because I am one of them. Yes, our scale and bottom line are lower when you're comparing scale to scale," says Lim.

Nevertheless, he says one should not always remain small, and Careplus wants to ensure every scale it ramps up to will help it to achieve better economies of scale.

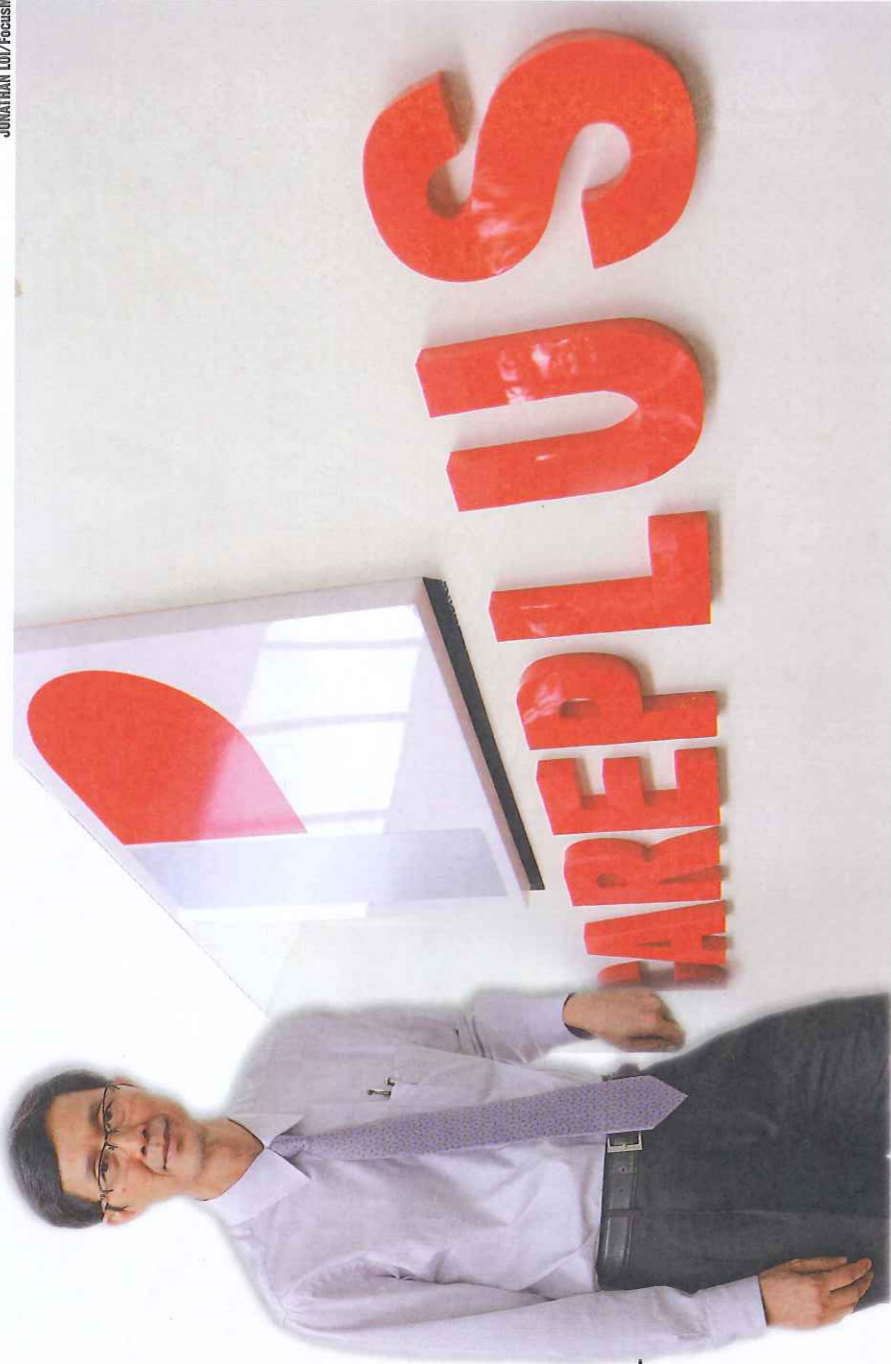
Small but adequate

"This was also the reason why we got ourselves listed. When you get bigger, it does not mean you need to be top of the cohort, as there is only one number one.

"We are not the number one but certainly we are not that small that [we] do not have competitive edge. We are small but sizeable enough to make some offers that will attract a certain segment of customers. This is the advantage we can capitalise on," he explains.

Lim adds that companies must maximise all their strengths based on their size. There are occasions when customers want to order in small quantities and large clients who want to spread their risks. Thus, medium-sized manufacturers with flexibility like Careplus fit into their preference.

"As long as we package our product well, ensure good quality and delivery, I



JONATHAN LOI/FocusM

Lim says a good business ecosystem should consist of small, medium and large players

Careplus Group's financial performance (FY11-14)

	FY14	FY13 ended Dec 31, 2013	FY13 ended Jan 31, 2013	FY12	FY11
Revenue (RM'000)	152,148	129,058	97,392	55,396	47,226
Profit after tax (RM'000)	7,218	2,505	2,298	454	3,140
Profit attributable to shareholders (RM'000)	3,294	1,272	2,970	1,978	3,140
EPS (sen)	1.40	0.54	1.27	0.93	1.99

Source: Bursa Malaysia

CAREPLUS GROUP BHD

Key board members and management

Yew Nieng Choon (Chairman)
Lim Kwee Shyan (CEO and executive director)
Yew Yee Peng (executive director)

Major shareholders

Lim Kwee Shyan
Thinking Cap Sdn Bhd

Market cap (April 9) **RM159.8m**

Share price (April 9) **68 sen**

52-week high (April 9, 2015) **68 sen**

52-week low (May 7, 2014) **31 sen**

Financial results (FY ended Dec 31, 2014)

Revenue **RM152.14m**

Profit attributable to shareholders **RM3.29m**

[collaboration] is free of worry in securing sales for that segment. It makes planning easier for us. Also with the quantity Descarpark is buying and the environment in Brazil, it teaches you to do things in a certain way to fulfil requirements and [adhere to] regulations of the country.

"It is a healthy partnership. Of course there were disagreements along the way, but we ironed out the differences for the growth of the company. The things we learned from them, we can apply to other plants," Lim says.

Since the tie-up with Descarpark and the efforts to improve its operations, Careplus has recorded an impressive revenue growth. Turnover grew at a compound annual growth rate of 28.74% - from RM55.39 mil in the year ended Jan 31, 2012 to RM152.14 mil in the year ended Dec 31, 2014. Careplus changed its financial year end to Dec 31 in 2013 to bring it in line with Descarpark's.

The company's profit after tax jumped 188% to RM7.2 mil in FY14 from RM2.5 mil in FY13 due to better margins.

Careplus has a capacity of 221 million gloves per month, or 2.65 billion gloves a year.

Top Glove Corp Bhd, the biggest glove maker in the world, has an annual production capacity of 44.6 billion gloves. The other major glove makers are Hartalega Holdings Bhd, Supermax Corp Bhd and Kossan Rubber Industries Bhd.

Brushing aside market concern on the company's over-concentration in central and south America, Lim says: "We export to all over the world. It happens that our third factory caters for the Brazilian market. We also want to spread the risk by supplying to other markets."

The American markets accounted for RM94.5 mil in sales for FY14, with Brazil being the largest.

Careplus, which is at the rapid growth stage, is confident of recording double-digit sales growth again this year.

"With a small size, any addition is a jump for us. Even with the changes in raw material prices and exchange rate, revenue growth will be high. We recorded RM152 mil revenue in FY14 with a production capacity of 1.7 billion gloves. Since then, capacity has increased to over two billion, and our revenue has a lot of room to increase."

The company plans to allocate RM40-50 mil for capital expenditure this fiscal year to expand its production and infrastructure. That will see an additional six production lines coming onstream and a new building in the third factory.

It is crucial for smaller players like Careplus to balance expansion with available resources.

Spacing out building of factories

"You may not be able to handle two [expansion activities] at the same time. When we were busy working on the third factory in 2012, we saw the need to expand. So we bought a piece of land to build a fourth factory."

"It takes time for new expansion to stabilise, thus after the completion of the third factory, we paused a while before embarking on the fourth one. This is the way we do things, we do not start another expansion straight away."

The five production lines in the fourth factory, which were fully installed last year, produce nitrile examination gloves to complement the latex glove range.

Lim says the company has enough land at the fourth factory for further expansion over the next five years. The factory has a production capacity of up to 500 million gloves a month.

He says the five lines currently produce 50 million gloves a month, and the next phase is to add another 60 million gloves in the next nine to 12 months. "The initial capacity is important. Once you get your 100 million gloves ready, the next 100 million will be easier."

Careplus had on April 2 announced a one-for-two bonus issue of 170 million shares - the first such issue proposed since its listing on Bursa Malaysia in 2010. Its shares closed at an all-time high of 68 sen on April 9. [FocusM](#)