



Headline : Salcon ventures into glove manufacturing with stake buy in JR
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DIVERSIFICATION

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KUALA LUMPUR: Salcon Bhd has acquired a 51 per cent stake in JR Engineering and Medical Technologies (M) Sdn Bhd for RM28.56 million, marking its venture into glove manufacturing.

Salcon said yesterday its subsidiary, Nusantara Jasakita Sdn Bhd, had entered into a share sale agreement with the glove manufacturer.

"The proposed acquisition comes with a profit guarantee of RM10 million per annum in JR for financial years ending 2021, 2022 and 2023," it said.

Salcon executive director Datuk Eddy Leong said upon completion of the transaction, it would have access to a trained labour force, existing customers and an immediate source of revenue.

He said the acquisition was well-aligned with Salcon's strategy of growth and diversification.

"We are confident the resulting significant synergies, economies of scale and enlarged market presence will strengthen the group's growth profile and bring greater long-term value to our stakeholders.

"We believe a structural change in usage of gloves will ensure there will be continued and strong demand in the market in the near to mid term," he added.

Salcon said JR was currently operating beyond its capacity.

The company has an annual production of more than 336 million pieces of gloves from four production lines in its factory in Rasa, Selangor.

In order to cater for the spike in demand in specific export markets, JR is targeting to ramp up production capacity by an additional 12 lines to 16 lines within a year.

This will cost JR an estimated capital expenditure of RM150 million, to be funded via internally-generated funds and bank borrowings.

"Once completed, this will bring the total production capacity of the company to three billion pieces of gloves per annum.

"JR has already in place the necessary approvals such as the Food and Drug Administration certification and the CE Marking Certification that will enable the group to export to the United States, Europe and other countries," it said.

Leong said JR managing director Ganesan Subramaniam would continue to helm the company's operations, together with his management team.