

# TOP GLOVE SET TO BE WORLD'S LARGEST NITRILE GLOVE MAKER

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KUALA LUMPUR: Top Glove Corp Bhd is expected to overtake Hartalega Holdings Bhd to become the world's largest nitrile glove manufacturer by volume by next year, according to its executive chairman Tan Sri Lim Wee Chai.

He said the group's annual production capacity will increase by 60% to over 40 billion pieces of nitrile gloves by 2020 from close to 25 billion pieces now, which will see it take pole position and achieve this one year ahead of target.

Last year, Top Glove's nitrile glove exports grew 36% to 18.6 billion pieces from 13.7 billion pieces in 2017. It outperformed the industry's growth of 18% to 102.5 billion pieces from 86.7 billion pieces.

The group's net profit for the third financial quarter ended May 31, 2019 (3QFY19) fell 36.5% to RM74.67 million from RM117.57 million a year ago, on higher price of natural rubber latex. Revenue for the quarter, however, rose 8.1% to RM1.19 billion from RM1.1 billion in 3QFY18,

backed by growth in sales volume.

Lim attributed the weakness in 3QFY19 to a time lag effect between cost increase and average selling price (ASP) movement.

“In 3QFY19, latex prices moved up from RM3.77 [per kg] in February to RM4.71 [per kg] in May, a sharp 25% increase. The ASP of natural rubber glove, meanwhile, rose only 8.3% in the same period due to a time lag effect”, he told a conference call briefing on the group’s 3QFY19 results yesterday.

Top Glove also declared a first interim dividend of 3.5 sen per share for the financial year ending Aug 31, 2019, payable on July 16.

For the nine months ended May 31, 2019 (9MFY19), net profit fell 12.5% to RM290.51 million from RM332.03 million a year ago. However, 9MFY19 revenue was higher at RM3.61 billion against RM3 billion a year ago.

On prospects for the remaining quarter, Lim said he is confident that the group’s revenue and profit will improve, driven by higher ASP and lower latex price.

“We are seeing a reversal trend from May onwards with ASP continuing to move up in June and July by around 8.8%, while raw material prices have been trending down. This will [bring] benefit to our 4QFY19 results,” he added.

On Top Glove’s working conditions, Lim said they have improved and that the group is progressively working towards implementing a “one-day off per week” policy for its factory workers.

However, he noted that some of its factories still need more time to implement such a policy.

“The situation has improved. Our big buyers are [getting more] comfortable and have sent their investigators [to check]. We are confident

[that] this matter will continue to improve and [be] overcome,” he added.

While he expects the policy will incur an additional 10% in overhead cost, Lim said this will be offset by continuous improvements in automation and digitisation of its manufacturing process.

Top Glove saw its share price slip as much as 7.07% following the result release yesterday, before paring some losses to close at RM4.87, with a market capitalisation of RM12.48 billion. It was one of the top losers on Bursa Malaysia.

*The Edge Markets*