RESOLVED ILO ISSUES A STEP IN THE RIGHT DIRECTION

28 April 2021 / 12:04

Additionally, the company has also reiterated its commitment to ensuring high quality welfare, health, safety, working conditions and living accommodation for its workforce of 21,000. Analysts have expressed optimism on this development.

KUALA LUMPUR: Top Glove Corp Bhd 's resolution of the 11 International Labour Organisation (ILO) indicators of forced labour puts the company in the right direction towards resolving US Customs and Border Protection (CBP) sanctions. In its recent announcement, the glove maker said the resolution has been veried by independent international.

In a note yesterday, RHB Research said it was positive on the news."We believe the improvements made are a step in the right direction. As of now, CBP sanctions on Top Glove remain. "However, we believe this achievement allows the company to get closer to its goal of lifting the sanctions, " it said. On March 29, the US CBP said in the Federal Register it had made a nding of forced labour in Top Glove's glove production processes and moved to seize its shipments of disposable gloves at all ports of entry.

The company had engaged Impactt in July 2020 to advise on measures for improving the company's labour policies and practices and has made signicant progress over the last 10 months. The indicators included the resolution of abusive working and living conditions as well as deception, debt bondage, retention of identity, physical and sexual violence, and intimidation.

On its website, Impactt stated that it is "an award-winning ethical trade consultancy delivering practical, innovative, change-focused solutions across multiple industries and countries." RHB has maintained a "buy" rating on Top Glove with an unchanged target price of RM6.80. The brokerage noted that the stock has declined 39% from its peak in Oct 2020.

It is currently trading at 4.5 times FY21 price-earnings ratio (P/E) and offers a 14% yield. "By using expected trough earnings per share in FY23, the company is trading at FY23F P/E of 11.9 times, representing a 34% discount against the 18 times average. “Our target price includes 10% ESG (environmental, social and governance) and 10% operational risk discounts.

We maintain our ESG score of 2.78 out of 4.00 at this juncture, but may upgrade if CBP changes its detention orders status to ‘inactive’, ” RHB said. Notably, the resolution of the CBP issue and stable long-term average selling prices (ASP) at above US$40 (RM164) in the long run are catalysts for the stock moving forward.