

RUBBER EXPORT CURB WON'T SIGNIFICANTLY PROP UP PRICE: TG

19 June 2019 / 12:06



KUALA LUMPUR: Top Glove Corporation Bhd believes the rubber export curbs by the world's top producers, beginning April this year, would not significantly push up the commodity's price.

Founder and executive chairman Tan Sri Lim Wee Chai said this is because the natural rubber latex price has reached a reasonable price of about RM5 per kg currently, a jump of more than 40% from the RM3.50 per kg recorded at end-2018.

He said the curb to prop up the price would only be effective if rubber prices are low, as other rubber-producing countries such as Vietnam, Cambodia, India, Sri Lanka and China would take advantage of the current good price to increase their supply and exports.

"But for us, even when they push up the rubber price, it is still okay for us, as we will adjust our selling price in two months' time," he said at a conference call on the company's results for the third quarter of the financial year ended May 31, 2018 (3Q 2019) here today.

It was reported that the world's top producers — Thailand, Indonesia and Malaysia — have agreed to cut natural rubber exports by 240,000 tonnes from April to July this year, aimed at boosting the commodity's price.

Meanwhile, asked if demand for vinyl gloves is expected to decline due to oversupply from China amid the trade war with the US, Lim concurred, saying China accounts for more than 50% of the world's exports of vinyl gloves.

To mitigate the impact on the company, Lim said Top Glove had expanded its vinyl glove production to Vietnam, where the cost of production would be much lower, and it also could enjoy a tax advantage of exporting from Vietnam to the US and Europe.

"The factory is still under construction, and it is expected to be in full operation at end-2020," he said.

Moving forward, Lime said the company would continue to expand its operations to cater to global glove demand, which is projected to grow by at least 10% annually.

He also anticipated the company to register better earnings in 4Q 2019, as the company had adjusted its average glove selling prices.

"The impact will only be reflected in the next quarter, due to a time lag in the cost pass-through mechanism," he said.

In a listing with Bursa Malaysia today, the world's largest glove manufacturer said it recorded a lower net profit of RM74.66 million for 3Q 2019 from RM117.57 million in 3Q 2018, mainly attributed to a sharp upward movement in the natural rubber latex price.

Its revenue, however, ticked up to RM1.19 billion from RM1.10 billion previously, due to the increase in sales volume.

At the closing bell, Top Glove's share declined 2.6% or 13 sen to RM4.87, with 15.47 million shares traded. — *Bernama*

Daily Express