

HIGH DEMAND SEEN FOR GREEN GLOVES

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PETALING JAYA: Top Glove Corp Bhd, which recently entered the European market, will soon venture into the United States to sell its flagship biodegradable gloves amid high demand for the green product.

Executive chairman Tan Sri Lim Wee Chai said the company is identifying business partners for both the European and US markets to capitalise on the demand.

“We are already in the European market. We are looking for distributors not joint-venture partners. The response to our biodegradable gloves has been very encouraging.

“However, as the world’s largest maker of gloves, it may take a while for the gloves to emerge as a significant contributor to our earnings. “Moreover, the gloves are priced slightly higher to reflect the cost of production. We believe that demand will increase in tandem with environmental awareness, especially in developed countries where people are willing to invest in products that will minimise waste management issues,” he told StarBiz.

The company had recently launched its biodegradable nitrile gloves (powder-free) in conjunction with World Environment Day.

Lim added that the launch was a significant milestone for Top Glove in terms of integrating sustainability into its business strategy, given the growing environmental awareness and demand for eco-friendly products.

“Our biodegradable gloves will be the first of many eco-friendly products – underscoring our commitment to a more sustainable way of doing business.

“They add value to our product range, further strengthening our product offerings. We are providing our increasingly discerning and diverse customers with a high-quality option which will leave minimal environmental footprint.

“As an added benefit, the gloves are accelerator-free, providing double protection to users from hypersensitivity reactions,” Lim stressed.

On the headwinds facing the glove market, Lim is confident that Top Glove will be able to ride out the difficult times.

“The challenges are not new or unexpected. Our continuous internal improvements will enable us to mitigate the effects of such challenges and I believe we are on track to conclude our financial year on a strong and positive note, with a possible 10% to 15% growth,” he said.

Among the issues facing the glove industry are margin erosion from overcapacity and rising production costs.

Lim emphasised that the company would emerge stronger as a result of the continuous improvements to bring down costs and mitigate any loss of margins.

The company would also monitor developments and ensure its expansion plans were aligned with the demand and supply situation, he said, adding that focus would be on internal factors which were within the company’s control instead of external factors.

With this in mind, he said, the company would deploy resources towards improving quality and efficiency through research and development, innovation and automation.

“To be able to compete and overcome challenges, it is of paramount importance that we remain healthy.

As a company, we must ensure that we are financially healthy and as individuals, we must be physically and mentally healthy as well.

“We also believe that with challenges there will be opportunities as weaker players are edged out, reducing competition and making the industry more efficient,” he said.

For the second quarter (2Q19), Top Glove achieved a revenue of RM1.16bil, a 21% increase compared with a year ago.

Profit before tax came in at RM125.5mil, slightly higher than the corresponding quarter in financial year 2018 (FY18), and profit after tax was RM106.7mil.

Top Glove would be announcing its third quarter results tomorrow.

Meanwhile, Affin Hwang Capital research said it was positive on the rubber glove market in the second half of the year.

The brokerage said recent earnings results showed that companies in the rubber glove sector were not at significant risk of lower margins from rising production costs. It has maintained its “overweight” call on the sector with Kossan Rubber Industries Bhd and Supermax Corp Bhd as its top picks.

It has kept its “buy” call on Top Glove despite cutting its earnings forecast and has a “sell” call on Hartalega Holdings Bhd due to its rich valuation and forecast lower growth rate.

Affin Hwang expected the overcapacity concerns in the industry to ease, as its recent channel checks suggested that lead times have normalised to about 45 days from the 30 days earlier this year.

CGSCIMB Research maintained its “add” stance on Top Glove and expected the company to record stronger results in the second half.

It attributed this to better margins for latex gloves on expected higher average selling prices for latex gloves to offset rising latex prices.

“We also expect the company’s sales volume to increase with the gradual commissioning of two new plants, F32 (2.2 billion per annum capacity) and F33 (1.2 billion per annum) from mid-Q319 (forecast).

The plants would boost Top Glove's total production capacity by 5.7% to 63.7 billion per annum. In addition, we believe Aspion's earnings contribution should also gradually improve," it noted.

Meanwhile, Lim said Top Glove was still on an expansion mode. The company is working towards becoming a Fortune Global 500 company by 2040.

"In order to grow expeditiously and efficiently, we must adopt a two-pronged approach comprising organic and inorganic growth. To this end, we will continue to build one or two factories every year," he said.

Asked if Top Glove was looking to acquire condom maker Karex Bhd as reported by a local daily, he said the company has no intention of doing so.

As for the outlook of the glove market, Lim said despite the challenging operating environment, the prospects for the glove industry remained promising with demand growing by at least 10% every year. "Industry prospects are promising with a lot of potential for growth, as gloves are widely used in developed countries but at the same time, they are underused in emerging countries.

"Currently, 20% of the world population (in the United States, the European Union and Japan) accounts for 70% of the glove usage. Hence, 80% of the world population is using 30% of the gloves produced globally, which means there is still a lot of opportunity for growth," he noted.