

TOP GLOVE UNFAZED BY NATURAL GAS TARIFF HIKE - THE SUN / MALAYSIA DIGEST / MALAYSIA CHRONICLE

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PETALING JAYA: Top Glove Corp Bhd, which reported its highest ever quarterly earnings, said the 10% hike in natural gas tariff effective July 1 is not expected to have a significant impact on the company as it accounts less than 1% to the manufacturing cost, with an additional RM3 million cost quarterly.

However, its chairman Tan Sri Lim Wee Chai noted that the company is undecided whether to pass on the additional cost to its customers.

"It depends on supply and demand, if the demand is good., then we can pass on easily," he said in a conference call in conjunction with the release of the company's financial results.

Lim is confident that Top Glove would be able to offset the increment in manufacturing cost through its internal efficiency savings as well as through external advantages such as lower raw material prices and the weakening ringgit.

The Malaysian Rubber Glove Manufacturers Association (Margma), had earlier urged the government to defer the natural gas price hike by

another 120 days.

For the third quarter ended May 31, 2015, Top Glove's net profit surged 70.57% to RM72.27 million compared with RM42.37 million in the previous corresponding period, buoyed by a 10% sales growth as well as softer raw material prices and a weaker ringgit.

Third-quarter revenue soared 15.19% from RM574 million to RM661.19 million.

It has proposed to declare an interim dividend of 8 sen for the quarter under review.

For the nine-month period, it registered a net profit of RM177.03 million, a 31.91% increase compared with RM134.20 million it made over the same period a year ago. This was on the back of a 6.18% gain in revenue to RM1.8 billion from RM1.7 billion.

Lim expects Top Glove to maintain a 10% revenue growth as well as to sustain its profit margins going forward. It registered net profit margins of 9.9% for the nine-month period, which was higher than 8.1% the last financial year.

The company targets to achieve a 50:50 ratio for nitrile and natural rubber gloves within the next five years in tandem with global demand.

As at end-May 2015, nitrile gloves make up 30% of the company's total volume compared with 24% a year ago.

Meanwhile, Lim said the company is still on the lookout for merger and acquisition (M&A) opportunities.

"We've visited a few companies, we'll continue to look for better glove companies," he added.