

AUTOMATION HELPS TOP GLOVE TRIM FOREIGN LABOUR BY 20%

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Lim: The operating environment is getting challenging. Photo by Haris Hassan

SHAH ALAM: Top Glove Corp Bhd estimates its investment in automation in production lines will result in 15% to 20% reduction in manpower on the factory floor for the financial year ending Aug 31, 2019 (FY19).

Currently, Top Glove has a staff force of 18,000, of which 10,000, or 55.6%, are working at the factories.

Speaking at Top Glove's secondquarter result briefing yesterday, its chairman Tan Sri Dr Lim Wee Chai noted that the group had commenced three automation systems this month.

In addition, advanced glove auto packing system and automated warehouse management system are targeted to commence by mid-2019.

Lim stressed that the operating environment is getting challenging.

The group is facing higher input costs. With this, he noted the importance of investment in technology, and research and development (R&D) to help the group to drive efficiency and control costs.

Top Glove expects the upward revision of the selling price of natural rubber gloves to

help sustaining net profit margin at a 10% level.

“The selling price of natural rubber gloves has been revised three times over the past two months, as natural rubber concentrated price has been increased recently. We hope latex concentrated price will be stable. The price for latex concentrated within the range of about RM5 per kg would be fair for producers and buyers,” he added.

“The net profit margin will continue to sustain at 10% as demand for the industry is still growing healthy with the increase in the world population, life expectancy and standard of living,” he added.

For Aspion Sdn Bhd, a wholly-owned subsidiary of Top Glove, Lim said it is expected to turn the company around in the next two years, citing the growth of Aspion has been improving for the past 10 months by leveraging the support from professionals, such as engineers and chemists that Top Glove sent to assist it.

“We have reduced Aspion’s factories’ foreign labour force by around 30%, cutting off one thousand workers in less than one year, and reduced the total number of foreign workers to about 2,000 people,” said Lim, adding that the cost-cutting measure will result in RM24 million savings per annum for the group.

On the capital expenditure front, the group will allocate over RM200 million for the second half of FY19, mainly for the capacity expansion. As compared to the first half of FY19, the group has spent a total of RM224.4 million mainly for improvement in the existing factories, factory expansion and water treatment plant.

The group will continue to expand its operations in line with the growing glove demand globally and it plans to boost the total number of production lines by an additional 200 lines and annual production capacity by 20.4 billion gloves by end-2020.

Going forward, Top Glove hopes the government will continue to support the group in the future following the expiry of the three-year special reinvestment allowances in 2018.

Lim noted that the group still had a balance of unutilised tax allowance of RM203 million available at its subsidiaries with lower profit base.

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