TOP GLOVE SEES BETTER YEAR

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From: executive Director Lim Hooi Sin, Lee, Wee Chai and Cheong Guan.

SHAH ALAM: Top Glove Corp Bhd, the world's largest rubber glove maker, is expecting its financial year 2015 ending Aug 31 (FY15) to be a better year compared with FY14, which was deemed "tough" for the company.

Chairman Tan Sri Lim Wee Chai said that while the current operating environment was still competitive, as reflected in its first quarter FY15 results to end-November 2014, the company was a net beneficiary of the strong US dollar and falling raw material prices.

"We hope to report a 10% growth in our sales and profit this year. As an exporter, the currency makes us more competitive and we are cost efficient and should see better profit margins," Wee Chai said at a press conference yesterday.

"Raw material (costs) are also cheaper for us, while the lower oil price is also good for manufacturers and consumers as we use a lot of energy.

As a business, we hope that the oil price will not be too high or too low; it should be at a stable and moderate level," he added.

Top Glove, which estimates to hold about a quarter of the world market, will boost capacity by 18.3% or 54 production lines that can produce 7.8 billion pieces of gloves per year to 524 lines (50.4 billion pieces of gloves) by September 2016.

It is expected to launch two new factories – one in January and another in September 2016 – in Klang which will bring the total number of factories to 26 once its planned expansion is completed.

"Moving forward, we will continue to place a lot of emphasis on our nitrile sales, as we see demand from countries such as India, Europe and Japan. In our advanced lines, we have a lot of our customers rushing to book our lines and we have to tell them to be patient," managing director Lee Kim Meow said.

Wee Chai said the changing of the industry dynamics had seen profit margins of latex gloves getting higher than nitrile gloves.

"This is due to the increased competition and capacity. When you increase capacity, prices will become more competitive and thus the customers will have more options to ask for lower prices. Capacity, however, has not increased much for latex gloves for quite some years now," Wee Chai said.

The company, nonetheless, still sees continued growth momentum in the nitrile glove segment.

Top Glove executive director Lim Cheong Guan, meanwhile, said the company hedged 80% of its US-dollar exposure to ensure some stability and predictability in its business.

“Every week, we hedge it and we don’t do it all at one go but on a staggered basis. So, we take the average,” Cheong Guan said.

Top Glove, which counts customer diversification and targets a balanced product mix as key to its competitive advantage, noted in its corporate presentation that it has implemented a cost pass-through mechanism, whereby both cost increases and savings are shared with customers.

“We have different pricing models for different customers. Some bigger customers even include the currency and raw material factor in their pricing models with us every month. We also think that if we keep too much of the advantage, sometimes our customers may not be competitive in the end,” Lee said.

The company reported yesterday its first quarter FY15 net profit fell 3% to RM48.7mil on the back of an almost flat revenue of RM567.6mil.