TOP GLOVE NET PROFIT SLIPS 8.3% TO RM180.1M FOR FY14

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The world's leading rubber glove maker Top Glove Corporation Bhd saw its net profit for the year ended Aug 31, 2014, slip 8.3% year-on-year (y-o-y) to RM180.1 million on account of higher utility costs and suppressed demand for its products.

Revenue for the year was lower at RM2.27 billion as compared to RM2.31 billion a year ago, the company said in an announcement at the stock exchange yesterday.

For the fourth quarter (4Q) the company's net profit dropped 5.2% y-o-y to RM45.90 million. The revenue for the quarter was however higher at RM580.2 million as compared to RM548.1 million in the same period last year.

“The Group’s bottom line was affected by the 19% increase in natural gas prices which took place in May, with the full impact being felt in the recent quarter.

Further aggravating the situation were the knock-on inflationary effects which followed increases in utility costs for electricity at 16%, in addition to natural gas,” the company noted in its statement yesterday.

The intensification of competition in the nitrile segment resulted in compressed margins, it added.

“It has been a tough year for us. The business environment has been challenging and we also recognise there are further improvements that can be made operationally,” said company’s Chairman Tan Sri Lim Wee Chai.

AmResearch Sdn Bhd had projected lower earnings growth for Top Glove financial years 2014-2016 as demand for the company’s products remains lacklustre.

“With its previously proven volume strategy no longer effective following the industry’s structural shift and its late entry into the nitrile segment, we opine that the group had been compelled to compete on price to gain market share.

The management, however, believes the low average selling price is due to overcapacity in the segment,” AmResearch had said in a statement earlier this month.

Latex gloves make up 68% of the group’s total product mix while nitrile gloves constitute 24%.

AmResearch maintained its “hold” call on Top Glove, with an unchanged fair value of RM4.80 per share pegged to an unchanged financial year 2015 price earnings of 16 times its five-year mean.

Top Glove has also proposed a final single tier dividend of 9 sen per share. The company’s stock closed at RM4.81 at the stock exchange yesterday, down 7 sen or 1.43%.