

TOP GLOVE SEES 10% GROWTH; EXPECTS HIGHER SELLING PRICES AND GROWING DEMAND

08 January 2014 / 12:01



PETALING JAYA: Top Glove Corp Bhd is looking at a revenue and volume growth of “more than 10%” for its current financial year ending Aug 31, backed by higher selling prices and growing demand for nitrile gloves.

“It will not be easy but we must set targets,” chairman Tan Sri Lim Wee Chai said.

That target surpasses the industry’s global demand for gloves, which is expected to continue to grow by between 8% and 10%, according to estimates.

The world’s largest glove maker has already raised prices by 1% this year to reflect the recent increase in electricity costs.

Demand for nitrile gloves would continue to be supported by a change in customer preference from latex powder-free gloves to nitrile, said Lim.

Speaking to fund managers and the media, he said in terms of branding and quality, Malaysia, still commanded a “very small premium” when compared to its regional counterparts by virtue of its reputation as the world’s largest glove maker.

Still, in line with its price increase, customers might switch to Thai and Indonesian manufacturers, he said.

“We have to continue to improve our efficiency levels and costs.”

By this, he said the company also hoped to improve its net profit margin, but did not give any targets. Top Glove’s net profit for its latest quarter stood at 9%.

Top Glove had set aside some RM180mil in capital expenditure for this financial year to be used largely to expand its rubber plantation in Sumatra, Indonesia, production capacity and its corporate headquarters.

The Klang-based company’s net profit for its first quarter ended Nov 30 dropped 12.5% to RM50.28mil from RM57.49mil a year earlier, largely due to the fair value gain on foreign exchange contracts of RM15.2mil that was recognised in its first quarter of last year.

Revenue for the period also fell to RM573.99mil from RM584.58mil in the previous corresponding period.

Currently, Top Glove’s product mix is made up of 69% latex gloves, 24% nitrile and 7% vinyl.

Lim said the current latex price, at RM5 per kg, was a “reasonable” price level and expects it to stay at this level, although he did not say for how long.

“This price level can last, plus, minus 10% – unlike the days when the price was at a high of RM11 per kg or a low of RM2 per kg.”

At the close, Top Glove shares finished two sen up to RM5.73.