

UPDATE: TOP GLOVE FY14 SALES REVENUE, VOLUME TO RISE OVER 10%, CHAIRMAN SAYS

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KUALA LUMPUR (Jan 7): Top Glove Corp Bhd, the world's biggest glove maker, expects sales revenue and volume to rise over 10% in current financial year ending August 31, 2014.

Chairman Tan Sri Lim Wee Chai said the forecast is based on higher selling prices for gloves amid growing demand for nitrile gloves.

"We expect 10-15% volume growth," Lim said at a briefing for analysts, fund managers, and reporters on Top Glove's financials today.

According to Lim, Top Glove has since January 1 this year raised the selling price for its gloves by 20 sen to US\$20.20 per carton of 1,000 gloves from US\$20.

The price increase follows the Malaysian government's move to raise electricity rates.

"We have to adjust our prices," Lim said.

With the higher prices, Lim does not discount the possibility of buyers switching to rival glove producers in Thailand and Indonesia.

Malaysian gloves are sold at 1% - 2% price premium compared to rivals across Asia, Lim said.

Top Glove's financials have weakened. The firm reported a 13% decline in 1QFY14 net profit from a year earlier as revenue fell. Top and bottom lines had fallen amid lower average selling prices (ASP) for gloves despite higher sales volume.

Net profit declined to RM50.28 million in 1QFY14 from RM57.49 million. Revenue was lower at RM573.99 million versus RM584.58 million.

ASP (average selling price) had fallen amid lower prices of raw materials which comprise natural and synthetic rubber.

Bloomberg data showed that Malaysian natural rubber latex prices have fallen to about RM5 a kg from RM6.30 a year earlier.

The ringgit and Thailand's baht had also weakened against the US dollar.

The ringgit had weakened by 5% to RM3.2896 versus the US dollar over the last six months while the baht's value fell 7%.

A weaker ringgit augurs well for export-based Top Glove as it makes its products more competitive in the world market.

On Top Glove's operations in China where it has two factories, Lim said the company is selling its loss-making plant in Jiangsu province.

Lim said Top Glove is selling the plant after Chinese authorities disallow the use of coal to run the factory there.

"We make a gain from the land price. Hence, overall, we expect to breakeven from the sale of the industrial property," Lim said.

According to Top Glove's latest presentation slides, the manufacturer has 24 glove factories across Malaysia, Thailand, and China.

These factories have a combined annual output of 43.9 billion pieces of gloves.

By August this year, the group will have 25 factories with a collective annual output of 46.1 billion pieces.

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