

TOP GLOVE SEES HIGHER PROFIT IN SECOND HALF

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PETALING JAYA: Top Glove Corp Bhd is expecting its profit margin in its second quarter of the financial year ending Aug 31, 2020 (FY20) to rise by between 20%-40%.

"Our profits in the second half will definitely be much better than the first half of the year. The average selling price (ASP) has increased, especially from April to June 2020, so in the third quarter we would see a much better profit margin ranging from 20%-30% extra on the improvement of ASPs and increase in capacity which leads to a reduction in fixed costs," its founder and chairman Tan Sri Lim Wee Chai said during a conference call with reporters, analysts and fund managers yesterday.

The rise in profit margin is due to the spike in orders from the Covid-19 global pandemic, Lim said. "Every month we increase about 3-5% of the average selling price (ASP) for the next three months."

"We are seeing stronger ASPs in the months of May and June as there is a time lag given that customers usually order one to two months ahead

so now customers order three to four months ahead, Lim said.

According to its presentation slides during the conference call yesterday, Top Glove recorded a net profit margin of 9.3% in the first half of the FY20 on revenues of RM2.44bil.

The company, which is the biggest rubber glove manufacturer in the world said that it is now able to operate at 100% capacity once again after managing to sort out production

issues arising from the movement control order (MCO) with the government

He said with the MCO in force, there were no issues with putting production staff on the factories but it had to split the office workers into two groups, one of which will work from home.

Its managing director Lee Kim Meow said the MCO had initially affected some of its suppliers which had not got the approval to operate at 100% capacity but this had been resolved with the intervention of the Federation of Malaysian Manufacturers and the

International Trade and Industry Ministry.

"The situation is fluid but improving. Some of our suppliers had got the approval last night (Wednesday night).

"We are also going to meet the government to convey to them that the rubber glove industry is very crucial especially in times like this as the healthcare industry locally and globally is strongly depending on us to deliver at this point," Lee said.

Meanwhile, Top Glove said that due to the high demand experienced globally from this pandemic at the moment that there was actually a shortage of rubber gloves in the market for the moment but only expected this to be a temporary phenomenon.

Hospitals now need more than 100% of the usual normal gloves usage.

"Say normal usage is one time, but during this unusual pandemic situation, their usage can be up to 1.5 times more or 50% more usage of these medical gloves," Lim said.

"So we have to work harder because there is a sudden increase in incapacity and the customers have ordered more than our capacity.

"Due to this, we are having issues pertaining to labour shortage now of about 10%.

"But we are still able to manage this for the time being. For the time being we have managed to increase our capacity from 85% to 100%," he added.