TOP GLOVE MULLS MORE PRICE REVISIONS

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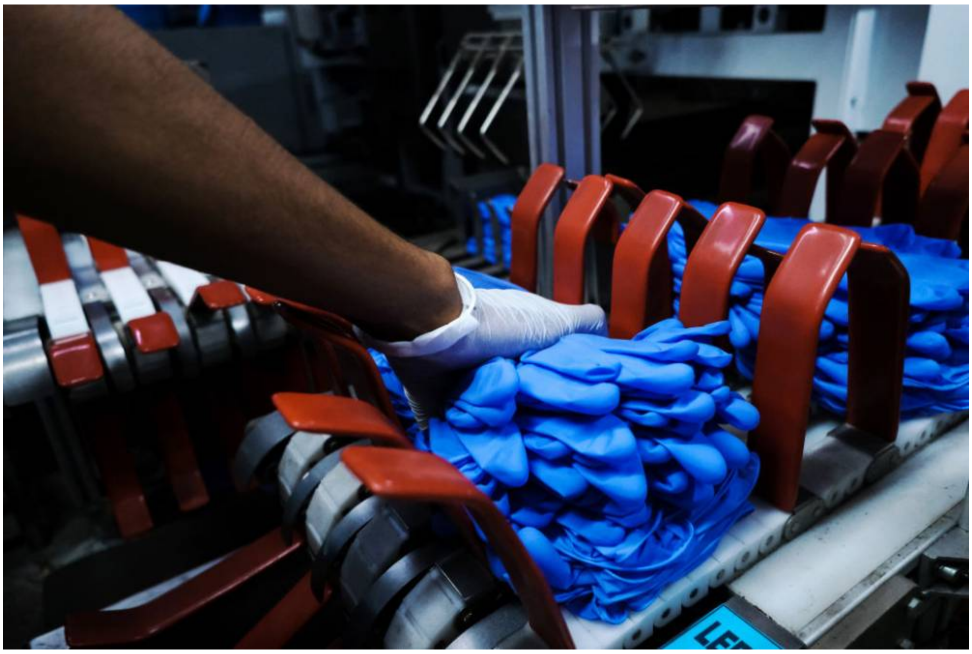

SHAH ALAM: Top Glove Corp Bhd will look at adjusting selling prices and automation to mitigate the impact of the revised natural gas tariff and new ruling on foreign labour levy.

Chairman Tan Sri Dr Lim Wee Chai said any price revision would depend on raw material prices, exchange rates and changes in other costs.

“If rubber price increases, we have to increase our glove selling price. When the US dollar weakens, we have to revise the price upward and when it strengthens, we have to revise the price downward. The cost of production also depends on natural gas price and labour cost. These will also affect glove selling prices,” he said at an analyst and media briefing yesterday.

Recall that the government recently announced a gradual increase in natural gas tariff, with it eventually hitting RM32.74/mmbtu in the second half of 2019 (2H19).

Based on the price at 2H19, the impact on Top Glove would be a 22.7% increase in natural gas cost or 2.3% on manufacturing cost, which is less than US$0.50 (RM2.24) per carton of gloves.

Executive director Lim Cheong Guan said every price revision is between 3% and 5%. The company made several upward price revisions for nitrile and natural rubber gloves at end-2016 and the impact will be felt in the second quarter ending Feb 28, 2017.

Meanwhile, the government's decision on employers bearing foreign labour levy in full would have a 3.5% impact on Top Glove's labour cost or 0.5% impact on manufacturing costs, which translates to less than US$0.10 per carton.

Wee Chai said the decision was too sudden and made without proper dialogue with industry stakeholders. Based on its foreign workforce of up to 7,000, the levy would cost the company RM12 million yearly.

He said in the past, Top Glove had invested in automation, which helped the company save on 1,000 workers over the past three years and it will continue to invest in research and development (R&D) and automation to lower operating costs.

"Customers always ask for price reductions, so we need to use technology to overcome this … we have to invest in R&D and Top Glove has invested a lot into R&D. We have a research centre and we recruited; from 50 researchers last year we now have 100. By next year, we should have 200 researchers," he added.

For the financial year ending Aug 31, 2017, the company has allocated capital expenditure of RM200 million to RM220 million, out of which two-thirds would be used to build new capacity while the balance would be used for automation and refurbishment of existing capacities.

Top Glove has 25 factories with 512 production lines and capacity of 48 billion pieces per year. Upon completion of its expansion plan, the company will have 27 factories with 600 lines and total capacity of 56.8 billion per year by May 2018.

The Sun Daily