

BNM RULING IMPEDING GROWTH, SAYS TOP GLOVE

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KUALA LUMPUR: Top Glove, the world's largest natural rubber glove manufacturer, says a recent Bank Negara ruling is impeding growth.

Top Glove Corporation executive chairman Lim Wee Chai said in a statement that BNM's directive requiring exporters to convert 75% of their proceeds into ringgit created unproductive administrative work, which would decrease efficiency.

"We hope the Government will review this ruling and allow exporters to keep at least 50% of their proceeds in foreign currencies. We appreciate policies that facilitate business, not create obstacles that impede growth", he added.

Meanwhile, the company reported that its net profit fell 42.87% year-on-year to RM73.32 million for the first quarter ended November, from RM128.3 million in the previous corresponding quarter.

It announced a 1.83% decline in revenue to RM785.58 million in the quarter from RM800.3 million in the corresponding period a year ago.

Lim did not directly link the decline in net profit to BNM's directive.

Top Glove, however, blamed the strong US dollar and the hikes in natural gas tariff and minimum wages.

It said: "Year-on-year, the group recorded a softer performance as profit before tax and sales revenue eased by 44.3% and 1.8% respectively, comparing less favourably with the 1QFY16, during which there was a marked strengthening of the US dollar, higher average selling prices coupled with lower raw material prices.

"The group also felt the full impact of the 24% hike in the natural gas tariff and 11% increase in minimum wage, which was not present in 1QFY16."

However, it said, sales volume registered an increase of 7% versus the corresponding period in FY16.

As at Nov, 30, the group maintained a positive net cash position of RM259.5 million and a healthy balance sheet, the statement said.

As part of its growth, the statement added, Factory 6, in Thailand, had been expanded while a new facility, its 30th factory, in Klang, was being constructed. It is expected to commence production by April 2017.

It also laid out other expansion plans, adding that by May 2018, the group would have a total of 600 production lines, from 500 now, and a production capacity of 56.8 billion gloves per annum, from 46.6 billion now.

The statement said the group saw a "challenging business terrain ahead, characterised by change and uncertainty".

Lim said: "We have started FY2017 on a firm note and set the tone for a good year ahead. Going forward, we will keep looking for areas in which

we can do better and respond faster, so we can continue delivering a strong performance in the coming quarters.”

Top Glove stock closed at RM5.06 ringgit on Thursday.