TOP GLOVE HOPES TO SUSTAIN MOMENTUM THROUGH FY20

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KUALA LUMPUR (Dec 17): Top Glove Corp Bhd said it hopes to maintain its momentum throughout its financial year ending Aug 31, 2020 (FY20), following positive performance for its first quarter ended Nov 30, 2019 (1QFY20).

During its conference call earlier today, Top Glove managing director Datuk Lee Kim Meow said the group started 2020 on a strong, positive note and that the group hopes to maintain its performance throughout the year.

The group posted a 1.3% increase in net profit for the quarter at RM111.43 million, from RM110.06 million in the previous year's corresponding quarter, despite a 4.2% fall in revenue to RM1.21 billion from RM1.26 billion, due to lower average selling prices (ASPs).

Lee said the ASP of natural rubber glove fell 3% year-on-year, while nitrile ASP fell 8%. Meanwhile, sales volume of nitrile gloves increased 20% year-on-year.

Despite lower sales, the company benefitted from lower average raw material prices, which allowed for better margins for the quarter.

Lee also pointed to improvements seen at its indirect unit Aspion Sdn Bhd, as the surgical glove company posted improved utilisation rates and profitability.

“We are seeing improvement in Aspion. We have put in a lot of effort over the past years to improve the production efficiency and to restructure manpower,” he said.

For 1QFY20, Aspion’s reported revenue of RM116 million, accounting for 24% of the unit’s FY19’s total revenue of RM489 million, while net profit stood at RM6 million, accounting for 60% of its net profit in FY19.

Asked if the government’s continued freeze on Bangladeshi foreign workers would impact the company’s performance going forward, Top Glove executive chairman Tan Sri Lim Wee Chai said it is not an issue, as the group is hiring workers from other countries instead.

“We are still facing labour shortage but we are able to get workers from Nepal now — they just opened up about one month ago. We are also getting workers from Indonesia and Myanmar.

“We have no problems with foreign workers for the time being,” he said.

Lim added that the group has also invested in automation, which reduces Top Glove’s reliance on manual labour.

Over the years, Top Glove has seen a significant downtrend in the ratio of workers to the quantity of gloves it produces, from 8.4 workers for every one million pieces produced in FY2001 to 2.55 workers per million pieces in FY2019.

He also touched on several countries that have banned the use of powdered latex gloves including US, China and South Korea, which has resulted in lower demand for the product and lower powdered latex glove volume in 1QFY2020.

Lim said some of the powdered latex manufacturing lines have been upgraded and converted to produce powder-free nitrile gloves instead.

Meanwhile, exports to Africa during the quarter increased 46% on a quarter-on-quarter basis, the highest growth among its export markets, followed by Japan (18.8%), Western Europe (17%) and North America (8.8%).

“A number of our European customers reached out to us for exports to countries like Nigeria, Uganda and even more advanced countries like South Africa, which has been driving sales to Africa,” he said.

In terms of product mix, nitrile gloves contributed to 52% of the Top Glove’s quarterly revenue, followed by powder-free latex (18%), powdered latex (16%), surgical gloves (10%), vinyl (2%) and TPE/CPE (2%).

The group currently has 33 operating factories with a total of 683 lines, which is able to produce 70.1 billion pieces per year.

By the end of 2020, the group will be adding another 98 production lines, translating to additional capacity of 11.8 billion pieces per annum, via the refurbishment of factories in Malaysia and Thailand, as well as new factories in Malaysia, Thailand and Vietnam.

Top Glove is planning to open four more factories in 2021, which will bring its future total capacity to 91.4 billion gloves per year.

Top Glove rose 21 sen or 4.72% to close at RM4.66 today, bringing a market capitalisation of RM11.93 billion.

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