

TOP GLOVE ALLOCATES RM600M CAPEX FOR FY20

07 October 2019 / 12:10



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by FARA AISYAH/ pic by MUHD AMIN NAHARUL

TOP Glove Corp Bhd has earmarked RM600 million in capital expenditure (capex) for the financial year ending Aug 31, 2020 (FY20), for automation and expansion activities.

The world's biggest rubber glove manufacturer, which has been ramping up its spending, needs the large capex to grow, chairman Tan Sri Dr Lim Wee Chai (picture) said.

“In terms of capex for FY20, it will still be about RM600 million. We invest for the future, we don’t invest for only one or two years—we see 20 to 30 years ahead,” he said at a briefing on Top Glove’s fourth-quarter (4Q) results in Shah Alam recently.

The group’s FY19 capex of RM632.17 million, which was utilised for new factories and improvements in existing factories, was 37% higher than the RM461.77 million allocated in the previous year.

“We will be utilising the capex in FY20 for automation, building new factories and new machinery, among others,” Lim said.

Part of the capex allocation may also be used for mergers and acquisitions (M&As), although the group will approach any possible M&A with caution to ensure the deals are not over-valued, he said.

Lim said the group is still comfortable with its current gearing level of below 1%.

In April last year, Top Glove purchased surgical glove maker Aspion Sdn Bhd from Adventa Capital Pte Ltd for RM1.37 billion.

It then filed a lawsuit against Adventa and two Aspion directors in July 2018, due to alleged overstatements of Aspion’s assets and the acquisition price.

The group’s new capacity expansion comprises mostly nitrile gloves, while the remaining are vinyl and latex gloves.

It’s expected to have 38 factories with 876 production lines, and a production capacity of 84.1 billion pieces annually by December 2020.

Currently, the glove manufacturer has 33 factories with 682 lines which can produce 63.9 billion pieces of gloves per year.

It has added 16 new lines which can produce two billion pieces of gloves per annum in 2019.

In 2020, it aims to have five new factories and an additional 178 lines that will produce 18.2 billion pieces of gloves yearly.

Moving forward, Lim is confident the glove maker will be able to achieve double-digit growth despite the competitive environment.

“We expect between 10% and 20% growth for sales and net profit growth for FY20, on the back of our capacity expansion plan,” he said.

The group aims to expand organically in order to meet the increase in global glove demand, which is set to grow by 10% yearly, Lim added.

Top Glove's net profit for the 4Q of FY19 (4Q19) fell 13% year-on-year (YoY) to RM80.05 million from RM92.33 million previously, dragged by higher natural rubber prices and increased competition.

The 4Q19 revenue declined 2.8% YoY to RM1.19 billion from RM1.22 billion last year, due to lower demand recorded in its emerging-market segment.

For the full financial year, the group's net profit slipped 12.7% YoY to RM370.56 million from RM424.36 million in the previous year, while revenue grew 13.7% YoY to RM4.8 billion from RM4.22 billion previously.