

TOP GLOVE SAYS ASPION'S TURNAROUND TO BE SEEN IN ONE TO THREE YEARS

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Lim: We have just acquired Aspion. It will take some time for us to improve the situation. Photo by Suhaimi Yusuf

SETIA ALAM: Rubber glove maker Top Glove Corp Bhd said it will take time to turn the operations of Aspion Sdn Bhd around, but the results should be apparent in one to three years.

Top Glove executive chairman Tan Sri Dr Lim Wee Chai said Aspion now accounts for about 10% of its sales revenue per quarter, and that contributions from the subsidiary for the financial year ending Aug 31, 2019 will remain relatively small.

"We have just acquired Aspion. It will take some time for us to improve the situation. Aspion is making a small profit now but not as much as what we have expected.

"We have sent our team of engineers, chemists and managers to improve their quality standards and efficiency standards. They are very far behind Top Glove's standards," he told the media after the company's annual general meeting yesterday.

Lim also said the group had managed to turn the operations of many inefficient factories around in the past as he pointed to the group's 13 acquired factories out of its stable of 40. These factories now contribute about 30% of the group's annual profit, said Lim.

"Most of the poorly managed factories that we [have] acquired are now very profitable. We did not improve just the operations of one or two factories, but more than 10 of these factories are now giving positive contributions," he stressed.

"Turning around a factory takes time. Give us some time. The results will be very obvious in another one to three years," added Lim.

Overall, the group spends about RM400 million per year for capital expenditure, investing in plant, machinery, automation and digitalisation for its factories.

In a note dated Dec 27, 2018, Kenanga Investment Bank analyst Raymond Choo Ping Khoon said rubber glove players are raising their capacities, and that the research house's analysis had pointed to a potential glut on the horizon. Oversupply previously arose in 2014 and 2016.

Choo also said strong demand for rubber gloves could be tapering off, given the shortened delivery lead times from between 60 and 70 days to between 30 and 45 days.

When asked whether Top Glove was concerned about a potential oversupply, Lim instead said he expects demand to continue growing.

“The market is doing well; there’s good demand. The rubber glove and medical glove sector is recession-proof, and it grows every year. We have seen fantastic growth over the past 30 years and it [has] continued to grow every year,” he said, adding that growth in the rubber glove sector will be in line with growth in the healthcare sector.

Given that Top Glove’s exports account for about 90% of its sales, movement in the ringgit is expected to impact the group.

“Strengthening of the ringgit will affect our performance,” Lim affirmed. “When the ringgit strengthens, we will also increase our selling price in US dollars as how we have done in the past,” he added.

At the time of writing, the local currency had strengthened to 4.1190 against the US dollar, compared with the 4.15 to 4.20 range seen towards the end of 2018, supported by stronger crude oil prices. Brent crude rose 0.42% to US\$57.57 (RM237.19) per barrel.

As a result, the shares in several rubber glove players, including Top Glove, closed lower. At market close, the counter had fallen 27 sen or 5.09% to close at RM5.03, translating into a market capitalisation of RM12.88 billion.

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