

LIM SAYS IT TAKES TIME TO TURN AROUND ASPION

09 January 2019 / 12:01



SHAH ALAM: Top Glove Corp Bhd expects factories under its newly acquired unit, Aspion Sdn Bhd, to complete their turnaround programme in one to two years, says executive chairman Tan Sri Lim Wee Chai.

“It will take time to turn around. We have sent our team of engineers, chemists and managers to improve their quality and efficiency standards.

“At the moment, Aspion is very far behind Top Glove’s standards,” he told reporters after the group’s AGM here yesterday.

Aspion contributes about 10% of Top Glove’s total sales.

“We have just acquired Aspion. It is making a small profit now, but not as much as what we expected,” Lim said.

Top Glove, the world's largest rubber glove manufacturer, acquired surgical glovemaker Aspion from Adventa Capital Pte Ltd for RM1.37bil last April.

Three months after completing the deal, Top Glove announced that it was a victim of fraudulent misrepresentation and also said that it may have overpaid by RM640.47mil for Aspion.

Top Glove has turned around 14 out of the 40 factories, which the group acquired inorganically.

Lim said the factories contributed about 30% of the group's annual profit.

"This factory improvement takes time. The results will be very obvious in one or two years," said Lim.

He added that the group would continue with its capacity expansion and planned capital expenditure of about RM400mil to invest in plant and machinery, automation and digitalisation.

Kenanga Research estimated that incoming capacity in the rubber glove industry was indicative of a potential oversupply.

It said in mid-2016, there was a period of capacity consolidation, which led to falling average selling prices, and that nascent signs of glove-makers ramping up capacities were re-emerging.

"The robust demand is attracting players to ramp up production. In anticipation of higher demand and switching from vinyl gloves, players are raising capacities again.

"Note that the previous two oversupply scenarios occurred in 2014 and 2016," it said in a recent note.

However, Lim brushed off an overcapacity in the industry, as the demand for gloves is growing at 10% to 15% annually, driven by population growth and an increasing standard of living.

“The market for rubber gloves is doing well. There is demand and we must meet customers’ demand. We have to deliver our gloves to them on time, if not they will shift to other suppliers,” he said.

On the stronger ringgit, Lim said the firm might have to increase its selling price in US dollars, as more than 90% of its invoicing is in the greenback.

Yesterday, shares in rubber glove manufacturers, namely, Hartalega Holdings Bhd, Top Glove and Kossan Rubber Industries Bhd were among the top decliners on Bursa Malaysia as the ringgit strengthened against the US dollar.

At the close, shares in Hartalega fell 60 sen or 10.4% to RM5.15 a share, Kossan fell 37 sen or 8.7% to RM3.88 and Top Glove declined 27 sen or 5% to RM5.03.