

TOP GLOVE REMAINS POSITIVE DESPITE LOOMING OVERSUPPLY

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Group continues to see repeat orders from its customers, hence will focus on improving productivity, quality and innovation. Pic By ISMAIL CHE RUS

Rubber glove manufacturer Top Glove Corp Bhd is positive on its growth trajectory in 2019, despite concerns over potential oversupply and tapering demand in the rubber glove market.

Its executive chairman Tan Sri Dr Lim Wee Chai said the group is envisioned to record a double-digit growth this year, in line with an expected industry growth of between 10% and 15% per annum, particularly for nitrile gloves, as a result of growing global population and higher standards of living.

“The market is doing well. There is good demand. Rubber gloves or medical gloves are recession-proof. They grow every year.

“So, when the demand increases over 10%, we must meet customer requirements and continue to deliver good quality gloves efficiently, at low cost and on time,” he told reporters after the group’s AGM and EGM in Shah Alam yesterday.

Recent analyst reports have cautioned about a potential oversupply in the rubber glove sector, as industry players have been raising capacities and ramping up production in anticipation of a higher demand and a switch from vinyl gloves.

Kenanga Investment Bank Bhd in a recent report noted that despite market expectations for a massive industry switch from vinyl to rubber gloves, Top Glove in its second quarter of 2018 (2Q18) and

first half of 2018 saw demand growth led largely by emerging markets that are not predominant vinyl glove consumers.

UOB Kay Hian Securities (M) Sdn Bhd in a separate note also pointed to sluggish demand going forward, as it sees forward orders slowing down.

Yet, Lim said the group continues to see repeat orders from its customers, hence the glove producer will maintain focus on improving productivity, quality and innovation, as well as the welfare and safety of its workers.

The rubber glove manufacturer also expects to see a marked improvement in the performance of its surgical glove unit Aspion Sdn Bhd, which it acquired in April last year, in the next three years.

“Aspion is making a small profit, but not as much as we expected. They will improve because we have sent our team to help, (but) they are very far behind Top Glove. We need a lot more effort to improve them,” Lim said.

He said the group has experience in improving and turning around factories, as 13 of the group’s 40 factories acquired in the past now contribute some 30% of its yearly earnings, with the remaining two-thirds of profit coming from organic growth and expansion.

“This factory improvement will take some time. Give us some time. Every month we are improving. You will see very obvious results in another one to two to three years.”

In April 2018, Top Glove purchased Aspion from Adventa Capital Pte Ltd for RM1.37 billion, an acquisition price it later said was over-stated by RM640.5 million after an independent investigation initiated by Top Glove found an overstatement of assets and overvaluation of the share purchase agreement.

Research houses had said the Aspion deal included a profit guarantee of RM80.9 million and RM108.3 million for Top Glove’s financial years ended Aug 31, 2018 (FY18), and FY19 respectively, yet Aspion’s profit reportedly came in at RM4 million for 4Q18 ended Aug 31, 2018, and RM7 million for the two months in 3Q18 post-acquisition.

Shares of Top Glove closed 27 sen or 5.09% lower at RM5.03 yesterday, valuing the company at RM12.86 billion.

With 22.62 million units traded, the stock was among the actively traded counters on the benchmark FTSE Bursa Malaysia KLCI, which fell 6.41 points or 0.38% to close at 1,672.76 yesterday.

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