

# TOP GLOVE'S OUTLOOK ANCHORED BY CAPACITY-LED EXPANSIONS

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**KUCHING:** Top Glove Corporation Bhd's (Top Glove) outlook is expected to continue being underpinned by stable and steady growth in demand of disposable medical glove, with earnings to be anchored by capacity-led expansions.

The research arm of MIDF Amanah Investment Bank Bhd (MIDF Research) viewed that the group's outlook will continue to be underpinned by stable and steady growth in demand of disposable medical glove as health regulations become more stringent.

"However, in the near term, the expansion drive in production capacity is expected to lead to higher finance cost as the majority of the funding is via borrowings," MIDF Research said.

"In addition, contribution from Aspion might also disappoint in the near term given that it is unable to meet the initial profit guarantee.

“Moreover, the group also has to pass on the savings from lower material cost to its customer in order to remain competitive.”

As such, the research arm opined that it will be difficult to meaningfully grow Top Glove’s profit margin.

On the other hand, Top Glove’s earnings are expected by AmlInvestment Bank Bhd (AmlInvestment Bank) to be anchored by capacity-led expansions.

According to AmlInvestment Bank, the company’s financial year 2019 forecast (FY19F) earnings will be supported by Factory F32 which is slated to commence production by the first quarter of current year 2019 (1QCY19) and 3QCY19, with 2.2 billion pieces and 1.2 billion pieces of capacity respectively.

“We opine that Top Glove is well positioned to benefit from the expected eight per cent to 10 per cent growth in demand for rubber gloves for CY19 as it is currently the largest rubber glove manufacture with circa 25 per cent of market share,” the research firm said.

Meanwhile, the glovemaker’s executive chairman Tan Sri Lim Wee Chai said they will not take any legal action against UK-based newspaper The Guardian, which alleged the glove maker had used forced labour.

“We are not in the business of suing people. At the moment, we are not taking (legal) action because we don’t want to spend unnecessary resources, time and energy on an unproductive event.

“We are looking forward to do more business rather than fighting with people (The Guardian),” he said to reporters during a conference call yesterday.

The Guardian had made allegations that Top Glove oppressed thousands of workers, including forcing them to exceed the maximum overtime limit of 104 hours as stipulated in the Employment Act 1955, as well as debt

bondage and the confiscation of the workers' passports.

Lim said Top Glove among others, complied fully with the Malaysian minimum wage policy, while overtime pay is calculated based on labour law and will adhere to the maximum 104 hours of overtime a month.

*The Borneo Post*