

TOP GLOVE BOSS PLEDGES MORE CAUTION IN FUTURE M&AS

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KUALA LUMPUR: The world's largest rubber glove maker Top Glove Corp Bhd is still keen on growing its revenue by 10% each year via organic growth or mergers and acquisitions (M&As), though its executive chairman Tan Sri Dr Lim Wee Chai said the group had learnt to “be more careful”.

“Since the acquisition of Aspion [Sdn Bhd], our global market share [has grown to] 26%. In two years, our target is to achieve 30%, but this is challenging for us. We need to grow faster [via] M&As, but we will be more careful.

“In the past, we have acquired 13 factories. [Regarding the] Aspion case, we were misled, so we have to be extra careful. We [have] learnt from the past,” he said during a conference call yesterday on the group's first-quarter performance.

In July, Top Glove initiated a lawsuit against Aspion's vendor Adventa Capital Pte Ltd and two Aspion directors Low Chin Guan and Wong Chin Toh after discovering irregularities in Aspion's balance sheet on

completion of the acquisition three months earlier.

It said its investigation found an overstatement of the inventory, plant and machinery in Aspion's accounts that amounted to RM74.4 million, while the acquisition price of Aspion was overstated by RM640.5 million. This led to its RM714.9 million claim against the trio.

For the first financial quarter ended Nov 30, 2018 (1QFY19), Aspion contributed 10% of Top Glove's revenue. Top Glove's surgical glove sales volume during the quarter shot up by 125% from 1QFY18, largely thanks to Aspion's contributions.

However, Aspion has yet to produce a significant profit for the group, at least not one that is up to Top Glove's standards, according to Lim.

"Aspion's profit [mark] is not up to our expectations. We hope we can quickly upgrade it to our standards," he said. Top Glove previously said it expected Aspion to meet its net profit projection of RM80 million for the next four to seven years.

Top Glove's 1QFY19 revenue, which jumped 34.5%, came in at a record high of RM1.26 billion, from RM938.12 million for the previous corresponding quarter. Net profit grew 4.4% to RM110.06 million from RM105.45 million mainly on stronger demand for nitrile gloves in developed markets as the use of powdered latex gloves was being phased out in North America.

Top Glove will not sue 'The Guardian'

On allegations of forced labour, forced overtime, debt bondage, withheld wages and passport confiscation at Top Glove, which made headlines in The Guardian in UK, Lim said the group would not take legal action against the newspaper.

"We do not want to spend unnecessary resources, time and energy on unproductive events unless it is necessary. We are looking forward to doing more business, rather than fighting with people. We will do our best

to continue to do good things because fake news does not last,” said Lim.

Top Glove has, however, written to The Guardian to clarify on the allegations made. Meanwhile, the glove maker’s customers have given their full support and have not withdrawn their orders with the company, shared Top Glove managing director Datuk Lee Kim Meow.

The Dec 9 report in The Guardian also stated that the UK’s National Health Service (NHS) would investigate the allegations of forced labour made, and would “take action to responsibly address verified issues as appropriate”.

“Our UK customer that supplies to NHS is happy with our explanation. This kind of reporting [on human rights abuses] has taken place in the past, and affected many big players in the market, and Top Glove, being the largest [rubber glove] manufacturer in the world, would be a natural target for them to focus on.

“None of our customers have stopped dealing with us; it’s very comforting as they have shown support to us via calls, emails and even WhatsApp texts, saying that they do not believe the allegations made against us — not a single one,” said Lee. He also reiterated that NHS’ revenue contribution is very minimal to Top Glove at 0.5%.

When asked what could have brought about the allegations, Lim said: “Jealousy is one possible motive for the allegations, and it is part and parcel of being a multinational corporation. When we are becoming better known as the world’s largest [rubber glove] manufacturer, there is a lot of attention.”

But Lee acknowledged that the group does need to better prevent its workers from working excessive overtime. “We will [adhere] to the 104 hours [of overtime per worker per month [as stipulated by labour laws],” he said.

Top Glove had previously stated that there was no forced overtime at its factories. The group’s shares closed 28 sen or 4.88% lower at RM5.46, valuing the group at RM13.96 billion.