

# TOP GLOVE LIKELY TO REPLACE TM AS KLCI CONSTITUENT

26 November 2018 / 12:11

## Current list of KLCI component stocks

COMPANY	
Malayan Banking Bhd	Petronas Dagangan Bhd
Public Bank Bhd	Kuala Lumpur Kepong Bhd
Tenaga Nasional Bhd	Genting Bhd
Petronas Chemicals Group Bhd	Hap Seng Consolidated Bhd
CIMB Group Holdings Bhd	PPB Group Bhd
Maxis Bhd	Hong Leong Financial Group Bhd
Hong Leong Bank Bhd	RHB Bank Bhd
IHH Healthcare Bhd	Hartalega Holdings Bhd
Petronas Gas Bhd	Genting Malaysia Bhd
Sime Darby Plantation Bhd	Press Metal Aluminium Holdings Bhd
DiGi.Com Bhd	Dialog Group Bhd
Nestle (Malaysia) Bhd	Sime Darby Bhd
Axiata Group Bhd	KLCCP Stapled Group
MISC Bhd	Malaysia Airports Holdings Bhd
IOI Corp Bhd	Telekom Malaysia Bhd
<b>Reserve list:</b>	
Top Glove Corp Bhd	Lotte Chemical Titan Holding Bhd
Fraser & Neave Holdings Bhd	AirAsia Group Bhd
Westports Holdings Bhd	

KUALA LUMPUR: Telekom Malaysia Bhd (TM) is likely to drop out of the list of 30 component stocks of the FBM KLCI when FTSE Russell announces its review next month, while Top Glove Corp Bhd could be a new addition to the index, based on its market capitalisation as at last Friday.

Year to date, the decline in TM's share price has wiped out about RM14.93 billion in market capitalisation, following the government's announcement that key telecommunications players in the country, including TM, have reached agreements on the mandatory standard on access pricing (MSAP), which will result in lower fixed broadband prices.

AmlInvestment Bank lowered its target price on TM to RM2.17 earlier this month due to its uncertain longer-term outlook.

"This stems from the group's clouded longer-term prospects, given the intensifying broadband competition and implementation of the MSAP, which has reduced wholesale prices for third-party operators to access TM's high-speed broadband network," wrote

analyst Alex Goh in a recent note.

Goh also noted speculation that TM may be requested to take over MYTV Broadcasting Sdn Bhd to enable the switch from analogue to digital broadcasting, following a payment dispute between the two companies.

It was reported that MYTV owes TM over RM60 million for services rendered, which has resulted in the former's services being suspended in several states.

"We view such a potential development negatively as the taking over of MYTV will easily require an additional capex (capital expenditure) of RM300 million for the remaining sites to be built in Malaysia. Additionally, MYTV's outstanding bills may lead to substantive receivable write-offs to TM's bottom line," said Goh.

CIMB Investment Bank head of equity research Ivy Ng said a stock would be added as a component if its market capitalisation rises to the 25th place or above, while one will be removed from the index if it falls to the 36th position and below, based on rules set by FTSE Russell.

"According to the ground rules of the FTSE Bursa Index Series, FTSE Russell will use the data from the close of business on Monday, four weeks prior to the review effective date. Based on this, we deduce that the coming review will use market capitalisation data as at Nov 26, after the market closes," she said.

As at Nov 23, TM had fallen to the 40th position, putting it at risk of removal, while no eligible company had climbed to the 25th place or higher.

Meanwhile, Top Glove climbed to the 28th position, which could qualify the rubber glove manufacturer's entry into the index, said Ng, provided that no other company rises to the 25th position and above before the review deadline.

Year to date, the group's share price has grown 46% to its closing price of RM5.85 last Friday with a market capitalisation of RM14.95 billion, surpassing that of KLCCP Stapled Group (RM13.9 billion) and Malaysia Airports Holdings Bhd (MAHB) (RM12.9 billion). Top Glove touched an all-time high of RM6.03 in June.

For the fourth quarter ended Aug 31, 2018, it reported net profit growth of 7.5% to RM101.59 million, from RM94.49 million a year earlier, due to a higher sales volume.

The group's quarterly revenue hit a record RM1.22 billion, up 34.8% from RM902.42 million for the previous year.

For the full financial year, it posted a record net profit of RM433.62 million, a 32% increase from RM328.57 million for the previous financial year, while revenue grew by 23.6% to a record RM4.21 billion from RM3.41 billion.

Top Glove is also on the FBM KLCI reserve list, which comprises the five highest-

ranking non-constituents of the index, along with Fraser & Neave Holdings Bhd (F&N), Lotte Chemical Titan Holding Bhd, AirAsia Group Bhd and Westports Holdings Bhd.

By market capitalisation, AMMB Holdings Bhd sat at the 31st position, followed by Westports, YTL Corp Bhd, F&N, QL Resources Bhd, Lotte Chemical Titan Holding Bhd, British American Tobacco (M) Bhd, AirAsia Group Bhd, IOI Properties Group Bhd and TM.

Besides the potential inclusion of Top Glove and exclusion of TM, there was not much change for the other constituents.

In the previous review of the index in June, MAHB, Hartalega Holdings Bhd and Dialog Group Bhd were added as constituents, while AMMB, YTL Corp and Astro Malaysia Holdings Bhd were removed from the list.

*The Edge Markets*