

SHARP DROP IN TOP GLOVE PROFITS AS COVID-19 THREAT ABATES

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PETALING JAYA: An oversupply of gloves and an excess in stockpiles by customers have taken a toll on Top Glove Corporation Bhd's bottom line.

The company, whose fortunes soared at the height of the Covid-19 pandemic, posted a loss after tax of RM42 million in the fourth quarter of its current financial year (FY22), which ended on Aug 31.

It also returned a significantly lower net profit of RM292 million for the year, down from RM7.8 billion in FY21.

In a statement issued today, the company said the oversupply and excess in stockpile had led to a slowdown in orders, leading to a drop in average selling price.

It said the situation had also been aggravated by the wait-and-see attitude adopted by customers in anticipation of further decline in prices.

The company said it had written down the value of its inventory by RM56 million in the quarter and a total of RM229 million for the entire financial year.

Among other factors that Top Glove listed as additional headwinds that contributed to its poorer performance this year are a 60% increase in natural gas tariff and a 25% rise in the Malaysian minimum wage from RM1,200 to RM1,500 per month.

"The escalating costs, which the group is unable to pass on to customers amidst the ongoing oversupply situation, have impacted its bottom line," the statement said.

Managing director Lim Cheong Guan said the temporary oversupply situation and weaker demand had distorted the demand and supply mechanism.

“The group’s Q4 FY22 performance is not reflective of our business or the sector’s true potential,” he said.

Lim pointed out that Top Glove had delivered “exceptionally strong profits” over the last two years and was now going through a period of normalisation as the demand for and supply of gloves stabilised.

“We accept this as part of being in the glove business, mindful that our position this quarter is a temporary setback and we are confident that the industry will recover eventually,” he added.

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