

# TOP GLOVE'S Q4 EARNINGS DECLINE ON HIGHER OPERATING COSTS

15 October 2014 / 12:10



**PETALING JAYA:** Top Glove Corp Bhd reported a drop of 5.2% in net profit to RM45.90 million for the fourth quarter ended August 31 against RM48.42 million in the previous corresponding period, due to higher natural gas prices and other utility costs.

Revenue for the fourth quarter, however, rose 5.85% from RM548.16 million to RM580.23 million.

Top Glove has proposed to declare a final dividend of 9 sen per share for the quarter under review. It has adopted a dividend policy to declare and pay annual dividends of not less than 50% of its net profit.

In a filing with Bursa Malaysia, the glove manufacturer said its bottomline was affected by the 19% increase in natural gas prices which took place in May, with the full impact being felt in the recent quarter.

"Further aggravating the situation were the knock-on inflationary effects which followed increases in utility costs for electricity at 16%, in addition to natural gas," it said, adding that lower profits were also due to compressed margins as a result of stiffer competition in the nitrile

segment.

The positive impact from lower raw material prices was also mitigated by a competitive operating environment.

Commenting on financials, Top Glove chairman Tan Sri Lim Wee Chai said it had been a tough year for the group but it will further improve operationally despite a challenging business environment.

"We are determined to further step up our efforts in quality enhancement and cost saving to deliver a better performance," he noted.

Lim remains upbeat about the group's and the industry's prospects, citing that the growth is still there despite the possibility of a temporary slow down.

"The demand for rubber gloves is still strong as evidenced by the sales volume," he said.

Meanwhile, Top Glove had recently completed the second phase expansion of Factory 27 in Lukut, Port Dickson with the addition of six higher-performing production lines, while Factory 29 in Klang will be operational by January 2015, which will be fitted with faster, more efficient, better quality and technologically advanced production lines.

"Given the present business climate, increased merger and acquisition opportunities are also likely to present themselves, thus enabling the group to expand faster via the inorganic route, in addition to the organic expansion being pursued," Lim said.

For the full-year period, Top Glove's net profit went down 8.34% from RM196.5 million to RM180.11 million, on the back of RM2.28 billion in revenues compared with RM2.31 billion a year ago. As at August 31, its net cash stood at RM157.6 million.

Top Glove's share price closed 7 sen lower to RM4.81 yesterday.