

TOP GLOVE POSTS LOWER NET PROFIT DUE TO INTENSE COMPETITION

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PETALING JAYA: Top Glove Corp Bhd has posted lower net profit of RM45.9mil for the fourth quarter ended Aug 31, compared with RM48.42mil in the same quarter last year, despite recording higher revenue.

Revenue increased 5.8% to RM580.23mil from RM548.16mil on the back of higher demand for rubber gloves.

Its full-year net profit was 8% lower at RM180.11mil from RM196.5mil in 2013. Revenue for the year was marginally lower at RM2.28bil from RM2.31bil a year ago.

The company attributed the decline in net profit for the fourth quarter and the full year to the “intensification” of competition in the nitrile glove segment, which resulted in margin pressure.

“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 in a filing with Bursa Malaysia.

It added that unrealised foreign exchange losses due to an “unexpected strengthening” of the ringgit at the close of the financial year also contributed to the group’s softer performance.

“It has been a tough year for us. The business environment has been challenging and we also recognise there are further improvements that can be made operationally.

“We are determined to further step up our efforts in quality enhancement and cost saving to deliver a better performance,” said chairman Tan Sri Lim Wee Chai in a statement.

Raw materials trended lower compared with 2013, as natural latex fell by 17.3% to an average of RM4.77 per kg and nitrile latex price contracted by 8.3% to an average of RM3.51 per kg in 2014.

Top Glove achieved a higher market penetration in the nitrile glove segment, which saw it contributing 20% and 24% to total sales volume for 2013 and 2014 respectively.

The board recently adopted a dividend policy to pay annual dividends of not less than 50% of its net profit. It proposed a final single-tier dividend of nine sen for 2014, bringing its total payout for the year to 16 sen per share.

On another matter, Top Glove said it recently completed the second phase expansion of Factory 27 in Lukut, Port Dickson with the addition of six higher-performing production lines. It said Factory 29 in Klang would be operational by January 2015.

“As of Aug 31, the group’s net cash remains positive at RM157.6mil, after factoring in acquisitions and capital expenditure of RM226.5mil and the

interim dividend payment,” the company said.

Lim is upbeat on the prospects of the company and the industry. “The demand for rubber gloves is still strong as evidenced by the sales volume we are seeing. There may be a temporary slowdown, but there is still overall growth. With our on-going quality and automation improvement initiatives across our operations, we are optimistic of a better showing in the quarters ahead,” he said.

In a separate announcement, Top Glove said it intended to seek shareholders’ approval at an coming AGM to purchase up to 10% of its issued and paid-up capital.