

TOP GLOVE EXPECTS CHINA OPERATION TO TURN AROUND IN Q4

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PETALING JAYA: Top Glove Corp Bhd, which saw third quarter net profit grow 5.2%, is confident its operations in China will turn around in the fourth quarter following its move to consolidate operations there, said its chairman Tan Sri Lim Wee Chai.

Yesterday Top Glove announced the disposal of one of its Chinese subsidiary Top Glove (Zhangjiagang) Co Ltd for RMB42 million (RM22 million) as part of this effort.

Lim said as the disposal gain of over RM2 million will be recognised in the fourth quarter results, and it expects to continue to benefit from lower raw material prices from natural rubber gloves, the group could improve its results in the current financial performance.

"We hope bottomline for this financial year will be close to last financial year," he told a conference call session yesterday.

Top Glove's net profit for the third quarter ended May 31, 2014 rose 5.2% to RM42.37 million thanks to growth in sales volume, but went down 9.37% for the nine-month period to RM134.20 million, mainly due to lower average selling prices.

Revenue also declined 4.98% and 3.90% to RM574 million and RM1.70 billion for the third quarter and nine-month, respectively.

Lim pointed out that Top Glove has started to increase average selling price by US\$0.50 per carton of 1000 pieces, in line with the electricity and natural gas tariff hikes, which have added on another RM2 million in costs per annum.

However, he said it's not easier for the group to pass on additional costs for nitrile gloves as compared with natural rubber gloves as its margin is higher. "Whether we can fully pass on the costs, it still depends on supply and demand in the market," he added.

On production capacity expansion, Top Glove expects the second phase of Lukut plant and the new plant in Klang that are targeted for operational by middle of next year, will add another 3.2 billion pieces.

The group has allocated RM180 million to RM200 million capital expenditure (capex) for FY15 for its expansion plans. It had spent RM190 million for nine months in FY14.

As at May 31, Europe remained the largest export market for Top Glove, at 33%, followed by North America and Latin America with 29% and 18%.

Lim stressed that Malaysian glove manufacturers are still strong by capturing 55% of world market share despite the high level of competitiveness in the global glove market.