

TOP GLOVE TAKES STEPS TO MITIGATE RISING COST

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INEVITABLE MOVE: Company raises glove prices to maintain profit following electricity tariff hike

TOP Glove Corp Bhd raised its glove prices a week ago to maintain profit level, following the government's decision to raise electricity tariff. Since the start of the year, manufacturers have had to contend with a 16 per cent electricity tariff hike to 38.53 sen/kWh from 33.54 sen/kWh for Peninsular Malaysia. In Sabah and Labuan, the rate hike is 17 per cent.

"Let's say gloves were sold for US\$20 (RM65.8) per 1,000 pieces... it would see a price increase to US\$20.20," said chairman Tan Sri Lim Wee Chai.

"The 16 per cent electricity tariff hike has caused our production costs to go up by three per cent. We have no choice but to pass on these additional costs," he told stock analysts and journalists at a briefing here,

yesterday.

Top Glove's decision on glove pricing is keenly matched by its rivals like Supermax Corp Bhd and Kossan Rubber Industries Bhd.

Top Glove, the world's biggest glovemaker with a 25 per cent global market share, is capable of churning out 44 billion pieces a year. Although **Top Glove** is twice bigger than its closest rival, it continues to make investment to ensure continued business growth.

Lim said the group has allocated RM180 million for factory upgrade and expansion in the current financial year ending August.

"We're expanding Factory 27 in Lukut and Factory 29 in K lang. This will be an additional capacity of 2.2 billion pieces of the nitrile variant. By August. our total capacity should touch 46 billion pieces," he added.

Top Glove continues to make more nitrile gloves to avoid over-reliance on natural rubber.

"The demand for nitrile has been building up. Currently, 24 per cent of our glove production is of the nitrile variant."

Meanwhile, on how **Top Glove** deals with Malaysia's graduation from the European Union's Generalised System of Preferences (GSP) status on rubber gloves, managing director Lee Kim Meow, who was also at the briefing, said "our customer in the EU pay for the import duties. It is unlikely that the GSP expiry would have a big impact on demand from the EU. After all, medical gloves are a necessity".

"Depending on how things pan out in the next few months, we may consider shipping some supplies from our Thai factories to the EU," he added.

Every year, **Top Glove** ships around 30 per cent of its production, or 12 billion pieces of rubber gloves, to the EU. Since last Wednesday, Malaysia has graduated from the EU's GSP status with regards to rubber

gloves.

Shipments from Malaysia in are now slapped with import tariffs of two per cent for surgical gloves and 2.7 per cent for other gloves. Rubber glove shipments from Indonesia and Thailand, however, continue to enjoy tax-free status.

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