

# TOP GLOVE WARNS OF CHALLENGES AHEAD AS COSTLY INPUTS DRAG PROFIT LOWER

16 March 2017 / 12:03



**KUALA LUMPUR (NewsRise):** Malaysia's Top Glove Corporation Thursday said it aims to improve its performance despite challenging business conditions in the months ahead even as higher input costs dragged its fiscal second-quarter net profit lower by 20.6% from a year earlier.

The world's largest rubber glove producer by volume said net profit for the three months ended Feb. 28 totalled 83.05 million ringgit (\$18.72 million) declining from 104.61 million ringgit in the same quarter last year. Quarterly revenue, however, rose 22.7% year-on-year to 851.54 million ringgit from 693.86 million ringgit thanks to higher sales volume, the company informed the stock exchange.

"Looking ahead, the group expects the business environment to be increasingly challenging, with competition intensifying on a larger scale," the company said. "We aim to do even better and will continue to strengthen our glove quality, costing and competitiveness in the coming

quarters."

The average price of latex, the main raw material used in manufacturing of natural rubber gloves, had surged to a five-year high of 5.95 ringgit a kilogram between December and February. That was a 72% increase on a year-on-year basis and a 33% gain when compared to three months earlier.

Meanwhile, the average price for nitrile - the main ingredient used in the production of synthetic gloves - climbed 12% to \$1.08 a kilogram from a year earlier and 10% when compared to September-November quarter.

"Top Glove is of the view that raw materials prices will stabilise at current levels or possibly be on the downtrend going forward," the company said.

Prices of both latex and nitrile however have declined in recent weeks and will likely be lower for the fiscal third-quarter, said Top Glove's Executive Chairman Lim Wee Chai.

For its fiscal first half, net profit plunged 33% to 156.37 million ringgit from 232.96 million ringgit in the same period a year earlier. Six-month revenue rose 10% year-on-year to 1.64 billion ringgit from 1.49 billion ringgit.

The company plans to raise capital expenditure to between 250 million ringgit and 300 million ringgit this fiscal year from about 210 million ringgit spent last fiscal year, Lim said in an earnings conference call.

Top Glove will add one more factory to its initial plan of building two factories, he said. By December 2018, the company could operate 28 factories with 632 production lines, cranking out up to 60 billion pieces of glove a year, Lim added.

Lim also reiterated the company's goal of acquiring a smaller rival by the end of August as part of its ambitious target of capturing 30% global market share. However, Top Glove will consider joint venture with "supporting industries" if the company fails to clinch a deal, he added.

Shares of Top Glove ended Thursday unchanged at 5.20 ringgit apiece, while the benchmark FTSE Bursa Malaysia KLCI closed 1.2% higher.

*--Jason Ng*