

TOP GLOVE TO SPEND LESS ON CAPEX IN FY18

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PETALING JAYA: Top Glove Corp Bhd is looking at lower capital expenditure (capex) for the financial year ending Aug 31, 2018 (FY18) after spending a lot more in building up capacity in FY17.

According to the glovemaker's executive chairman Tan Sri Lim Wee Chai, the capex for 2017 would be between RM250mil and RM300mil due to some of the acquisitions the company has made to build up capacity.

"We bought bigger lands to expand our capacity," he told reporters in a conference call on the company's second quarter ended Feb 28 results briefing.

Top Glove will complete a new nitrile glove factory (F30) with capacity of 4.4 billion pieces per annum in May and another new nitrile factory (F31) with capacity of 2.8 billion pieces per annum in November.

The third nitrile glove factory (F32) with 4.8 billion pieces per annum will be in operation in December 2018.

Currently, Top Glove has the capacity to manufacture 48 billion pieces of gloves per annum.

Lim said Top Glove remained on the lookout for mergers and acquisitions but pricing would be important.

“We do not want to acquire a more ‘manual’ company and have to spend a lot more in automating it. If it’s cheaper to build a new factory (organic growth), we will choose the latter.

“Nevertheless, we are talking to do a joint venture with some of our chemical suppliers,” he said.

Top Glove posted earnings of RM83.05mil in the second quarter (Q2) ended Feb 28, 2017, which was lower than a year ago but an improvement from Q1. It foresees an increasingly challenging business environment ahead.

For the quarter under review, earnings fell 20.6% to RM83.05mil from RM104.61mil a year ago due to sharp increases in raw material prices. Revenue was 22.7% higher at RM851.54mil.

Earnings per share were 6.63 sen compared with 8.36 sen previously. For the first half, earnings were down 32.8% to RM156.37mil from RM232.95mil in the previous corresponding period due to higher raw material prices. Its revenue was up 9.5% to RM1.637bil.

Top Glove pointed out that the average latex price surged to a five-year high, rising 72% to RM5.95 a kg from a year ago.

The average price for nitrile also increased to US\$1.08 a kg, up 12% compared to the same quarter last year. The sharp rise in raw material prices have steadily driven average selling prices up.

“Given the high raw material price position, the group will have to rely on its good relationships with customers to share out the cost increases.

“However, in line with industry practice, cost savings when raw material prices decrease will also be passed on to customers.

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