

MALAYSIA'S TOP GLOVE UPBEAT ON GROWTH, NET PROFIT EDGES HIGHER

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Top Glove plans to have 861 production lines producing as much as 91.4 billion pieces of gloves by December 2021. (Photo courtesy of the company)

KUALA LUMPUR (Nikkei Markets): Malaysia's Top Glove Tuesday said robust demand from the health care sector will help power future growth after the world's largest glove maker by volume reported 1.2% annual increase in the fiscal first quarter net profit thanks to lower input costs.

"In the face of a difficult business environment, Top Glove remains upbeat in terms of outlook," the company said. "Industry prospects remain promising and to ensure we are well-positioned to tap the growing glove demand, we will continue to prioritize R&D, innovation."

Shares of Top Glove gained 4.72% helping the benchmark FBM KLCI close 0.5% higher as investors cheered the company's buoyant prospects.

Demand for natural rubber gloves is strengthening as health care awareness rises from improved standards of living. Top Glove, keen to cater to the rising demand, plans to add 178 production lines and expand

annual output capacity by 21.3 billion gloves over the next two years.

By December 2021, Top Glove will have 861 production lines producing as much as 91.4 billion pieces of gloves, the company said.

"Increased nitrile capacity from ongoing organic expansion allowed the group to further grow sales, cater to larger customers and capture a bigger market share in the U.S., Western Europe and Japan," the company said.

Although analysts said the glove maker is likely to benefit from low raw material prices, how the tariff war between the U.S. and China plays out remains key to the company's potential growth prospects.

"We are still not sure of the impact of the U.S. tariff on the glove sector," said TA Securities' analyst Tan Kong Jin, noting Top Glove's earnings in the fiscal first quarter was in part aided by lower tax charges.

Net profit for the three months ended Nov. 30 was 111.43 million ringgit (\$26.91 million) compared with 110.06 million ringgit over the same quarter last year, Top Glove said in an exchange filing. Quarterly revenue fell 4.2% year-on-year to 1.21 billion ringgit from 1.26 billion ringgit as lower average selling prices weighed.

Top Glove's payable tax for the quarter shrunk 54.7% to 13.70 million ringgit from 30.21 million ringgit a year ago.

"We expect the effective tax rate to stay at 13%-to-15% this [fiscal] year," as the company will continue to enjoy reinvestment allowance over the next few quarters, Executive Director Lim Cheong Guan said at a post-earnings media briefing.

The company will also convert existing powdered gloves manufacturing lines to produce nitrile or latex non-powdered gloves following lower sales volume of powdered gloves, Lim said. Nitrile gloves volume grew more-than 20% over the past years, he said.

"We expect sales momentum for nitrile gloves will continue to remain strong," he said. "We expect raw material price to stay low and Top Glove stands to benefit from this," said Hong Leong Investment Bank analyst Farah Diyana Kamaludin. -*Gho Chee Yuan*