

TOP GLOVE'S FOCUS ON EXPANSION, EFFICIENCY, QUALITY LOOKS PROMISING

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Top Glove Corp Bhd

(Dec 11, RM5.54)

Maintain buy with an unchanged fair value of RM6.52: The Edge Financial Daily reported yesterday that the UK has launched a probe into Top Glove Corp Bhd concerning allegation of infringement of labour rights. This followed Thomson Reuters Foundation's report that there was mistreatment of Top Glove's migrant workers. We are unperturbed by the latest development. We believe the company has adequately addressed the issues raised in its announcement on Bursa Malaysia yesterday: High recruitment fees imposed on foreign workers.

Top Glove has no involvement with the recruitment costs charged by foreign agents for workers at the source countries. The processing costs in Malaysia — levy, visa stamping and medical examination — are fully borne by the company and not passed to workers. To mitigate the high recruitment fee issue, Top Glove plans to engage with the embassies of the labour source countries and make a request for their urgent action.

Top Glove does not practise forced overtime (OT). Management is continuously putting in measures to prevent OT of more than 104 hours per month — these are expected to be fully implemented by end-December 2018. Moreover, the company is constantly

investing in more automation for its plants to reduce dependency on manual labour. Top Glove provides its workers with accommodation equipped with the necessary amenities. Full plant equipment — gloves, ear plugs and helmets, among others — are also provided apart from transportation to and from the workplace.

Currently, Top Glove has some 13,000 foreign workers, making up almost 80% of its total labour force. The company pays the foreign labour at least the minimum wage of RM1,000, excluding additional allowance and OT pay. We believe the implementation of the new measures to prevent illegal OT hours will ease concerns among stakeholders concerning the legality of its labour practises

In any case, the UK is a small market for Top Glove, contributing only 2% to 3% of its financial year 2017 turnover. We understand Top Glove had complied with the requirement for a third-party certification for sales to Europe involving the engagement between buyers and external auditors to ensure the product meets certain environmental, social and governance standards.

We continue to like Top Glove for its expansionary plans; focus and continual efforts in improving quality and operational efficiency; and its position as the largest rubber glove manufacturer. — AmInvestment Bank, Dec 11