

KUALA LUMPUR (Oct 12): Gas Malaysia Bhd's gas hike for the fourth quarter of 2021 (4Q21) beginning from Oct 1 to Dec 31 is expected to have minimal impact on the rubber glove sector.

With natural gas accounting for 10% of glove manufacturing cost, TA Securities analyst Tan Kong Jin opined that the gas price hike in 4Q21 would have minimal impact on the glove sector.

"We believe that rubber glove manufacturers will absorb most of this cost increase amid falling price trend and influx of supply coming to the market," Tan said in a note released on Tuesday.

On Monday, Gas Malaysia announced that average natural gas selling price in 4Q21 was set at RM36.42 per million British Thermal Units (MMBtu), which is 21.3% or RM6.39 higher than 3Q21's RM30.03 MMBtu.

Nevertheless, the latest selling price set for 4Q21 has brought the average natural gas selling price for 2021 to RM28.86/MMBtu, which is RM4.79 MMBtu lower compared with 2020's average selling price (ASP) of RM33.65 MMBtu.

In a recent development, the research firm noted that glove ASP movements are currently supply-driven.

Gas price hike to have minimal impact on glove sector — TA Securities

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Tan said the ASP trend for gloves is expected to drop by 8% to 10% month-on-month for the coming months before normalising in the first half of 2022.

"Overall, we make no changes to earnings estimates at this juncture for glove companies under our coverage," he noted.

TA Securities also maintained its "neutral" rating for the rubber glove sector.

In terms of individual stock recommendation, it has a "buy" call for Hartale Holdings Bhd and Kossan Rubber Industries Bhd, with target prices of RM7.11 and RM2.71, respectively.

Meanwhile, both Top Glove Corp Bhd and Supermax Corp Bhd have "sell" ratings under the firm's coverage, with target prices of RM2.60 and RM1.80, respectively.

The Bursa's Health Care gauge, which includes rubber glove manufacture, dropped by 0.57% or 14.14 points to 2,479.67 at 4pm.

Three of the big four glove manufacturers traded lower so far on Tuesday. Hartalega's shares price fell five sen or 0.87% to RM5.67, Top Glove dropped three sen or 1.07% to RM2.78, while Supermax slipped one sen or 4.41% to RM2.17.

Kossan, however, rose three sen or 1.32% to RM2.31.