Rubber Gloves

Bouncing Nicely into 1QCY14

OVERWEIGHT

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We are maintaining our OVERWEIGHT rating for the rubber gloves sector. Although rubber glove stocks under our coverage have performed admirably YTD 2013 by rising at an industry average of 61%, which was led by KOSSAN (+148%), HARTALEGA (+53%) and SUPERMX (+43%), in line with our OUTERFORM calls, we expect the sector to remain resilient moving into 1QCY14 underpinned by: (i) the overall sustained demand for rubber gloves, led by latex gloves, although nitrile gloves, which have been consistently taking up the former's market share, will continue to show better growth prospects, (ii) the weakening of the Ringgit against the US dollar, which is positive to rubber glove players, and (iii) the sustained low raw material prices. Based on past trend, earnings of rubber gloves players were not affected from hike in energy prices and the impact from recent hike in electricity tariff rate will also likely be muted. We also expect any introduction of Goods and Services Tax (GST) and hike in natural gas price to be neutral on rubber glove players. Our TOP PICK is SUPERMX. We like Supermax because (i) it is trading at 12x FY14E EPS (23% discount to the sector average) compared to an average 14% net profit growth over the next two years; and (ii) we believe the re-emergence of EPF as a substantial shareholder of Supermax removes uncertainty and further lends credibility to the business model and management. Since our upgrade report in Feb 2013, the stock has risen by 43%. SUPERMX is trading at 12x FY14 earnings while KOSSAN is trading at 15x FY14 earnings. We believe the valuation gap should narrow when we consider that SUPERMX's capacity and net profit are at levels similar to KOSSAN. We also have OUTPERFORM calls for KOSSAN (TP: RM4.46) and HARTALEGA (TP: RM8.13).

Solid sales volume and results in 3QCY13. Reports from the recently concluded 3QCY13 results season were mainly within our expectations apart from Kossan, which outperformed due to better-than-expected margin expansion. The remaining three stocks under our coverage came in generally within our and the consensus expectations. Sales volume grew strongly YoY across the board led by Kossan (21% YoY, +1% QoQ), Hartalega (+18% YoY, -1.8% QoQ), Supermax (+7% YoY, -6% QoQ) and Top Glove (+10% YoY, +3% QoQ) due to capacity expansions as well as stronger demand fuelled by lower ASPs due to easing raw material prices. Interestingly, Supermax's 3Q13 margins improved further for the second consecutive quarter.

No worries on potentially higher energy cost going forward. *Ceteris paribus*, the recent hike in electricity tariff is only expected to hit rubber gloves players' earnings by 2-3%. However, we are not overly concerned since rubber gloves players are generally able to pass on the cost increase judging from past experience during electricity and natural gas tariff hikes. Electricity cost accounts for an estimated 20-30% of fuel costs which in turn make up 10% of total production costs of rubber gloves players. Natural gas accounts for the remaining 60-70%. From our observation, earnings of rubber gloves players were not impacted from the hike in gas and electricity tariff back in 2011.

GST is neutral to gloves makers. Generally, all goods exported out of Malaysia will be zero-rated. This means that the registered exporter does not collect GST on its exports. However, manufacturers, including rubber glove players would have to pay for GST on his business purchases or raw material costs before selling their product but is able to claim credit for the GST paid on the inputs. This means that manufacturers have to plan their cash flow and turnaround time diligently.

Weakening of Ringgit vs. US dollar is a positive for rubber glove players. Generally, a weakening Ringgit is positive for glove makers. Since sales are USD denominated, theoretically, a depreciating ringgit against the dollar will lead to more revenue receipts for glove makers. YTD 2013, the ringgit has weakened by 8% to RM3.28. *Ceteris paribus*, a 1% depreciation of RM against USD will lead to an average 1%-2% increase in the net profit of rubber glove players.

Demand for gloves still intact, nitrile gloves continue to lead. We believe that the average 10% demand growth p.a. for rubber gloves over the next few years can be sustained. In 2012, the total exports of gloves, synthetic rubber (SR) and natural rubber (NR) combined, rose 14.9% YoY to 40.7b pairs and 3.6% to RM9.8b in value. In 2012, Malaysia exported 18.6 billion pairs of SR gloves, which grew 26% YoY. The overall demand is expected to continue to be led by NR gloves, although SR gloves have consistently been nibbling at the former's market share. While latex-based gloves or NR gloves are still dominant (as a percentage to the overall exports of rubber gloves) in Malaysia, the trend is moving towards SR gloves. This was evident from the lower NR:SR sales value ratio of 61:39 in 2011 to 57:43 in 2012, and the sales volume ratio of 58:42 in 2011 compared to 54:46 in 2012.

Maintain OVERWEIGHT. Our TOP PICK is SUPERMAX with an OUTPERFORM and **TP of RM3.06.** We like Supermax because (i) it is trading at 12x FY14E EPS (23% discount to the sector average) compared to an average 14% net profit growth over the next two years; and (ii) we believe the re-emergence of EPF as a substantial shareholder of Supermax removes uncertainty and further lends credibility to the business model and management. We maintain **OUTPERFORM** calls on **KOSSAN (TP: RM4.46)** and **HARTALEGA (TP: RM8.13) but MARKET PERFORM on TOPGLVE (TP: RM6.10)**.

The Research Team
research@kenanga.com.my
Tel: 603-2166 6822

KEY POINTS

Solid 3QCY13 demand and results were largely within expectations, Kossan was above ours. Results of the gloves makers from the recently concluded 3QCY13 results season were mainly within our expectations apart from Kossan which performed above our forecasts due to better-than-expected margin expansion. The remaining three stocks under our coverage came in generally within our and the consensus expectations. Sales volume grew strongly YoY across the board led by Kossan (21% YoY, +1% QoQ), Hartalega (+18% YoY, -1.8% QoQ), Supermax (+7% YoY, -6% QoQ) and Top Glove (+10% YoY, +3% QoQ) due to capacity expansions as well as stronger demand fuelled by lower ASPs due to easing raw material prices. Interestingly, Supermax's 3Q13 margins improved for the second consecutive quarter.

2QCY13 results roundup

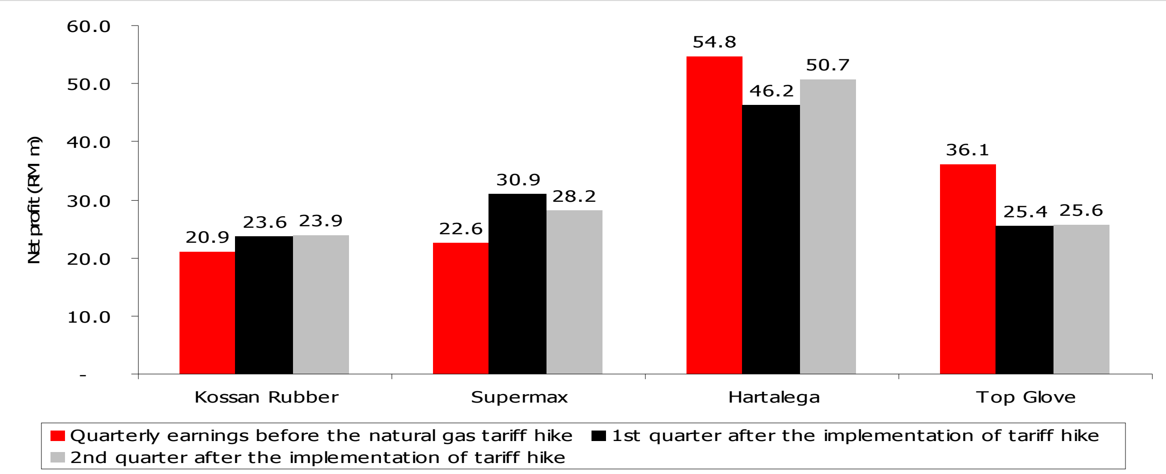
Company	Rating	Vs Kenanga	Vs Consensus	Kenanga's results comments/observations
Kossan Rubber Industries	**Outperform**	Above	In Line	➢ QoQ, 3Q13 revenue came in 4% higher to RM334m as utilisation rose to 85% from 83% and volume sales hit close to full capacity. However, 3Q13 pre-tax profit grew stronger by 8% to RM48m (+8% QoQ) due to margin improvement from 13.7% in 2Q13 to 14.3% in 3Q13, emanating from sustained low raw material price, efficiency improvement from automation, and economies of scale from capacity expansion. Specifically, the growth at pre-tax profit level was largely due to solid improvement at the technical rubber product division (+65% QoQ) due to increased sales volume of higher value infrastructure products and lower input latex cost. This brings 3Q13 net profit to RM35m (+6% QoQ). ➢ 9M13 YoY, revenue rose 7% to RM982.4m driven by its gloves division due largely to a higher sales volume (+21%) and solid contribution from the TRP division (+21%). Net profit grew faster than the turnover due to margins expansion driven by the lower average latex input price, efficiency improvement from automation, and economies of scale from capacity expansion which catapulted 9M13 net profit higher by 37% to RM102m.
Hartalega Holdings	**Outperform**	In Line	In Line	➢ QoQ, the 2Q14 revenue rose only 1% due to lower sales volume in the nitrile glove segment (-1.8%), which accounted for 94% of sales and lower average selling price (ASPs) but this was mitigated by higher sales volume from latex gloves (+53%), albeit its small base. During the quarter, the utilisation rate was lower at 86% compared to 91% in 1Q14. The marginally lower utilisation rate was largely due to a slight reduction in sales volume from one of its clients. However, we understand that this is only a temporary setback as new buyers have been secured, which is expected to be reflected in subsequent quarters. Despite unrealised foreign exchange loss of RM6.5m in 2Q14, EBITDA margin remains unchanged at 33%, similar to 1Q14 level due to its "highly automated production processes" model, which leads to solid improvement in its production capacity and a reduction in costs, allowing it to post better margins than other industry peers. QoQ, 2Q14 net profit came in flat at RM63m due to the flattish sales as well as recognition of unrealised foreign exchange loss. ➢ YoY, 1H14, revenue and net profit in 1Q14 jumped 11% and 13% respectively due to: (i) higher sales volume (+20%) underpin by the new capacity expansion from Plant 6 and (ii) easing raw material prices as well as economies of scale derived from new capacity and efficiency gains
Supermax Corporation	**Outperform**	In Line	In Line	➢ QoQ, revenue fell by 14% to RM284m; hit by both lower volume sales and average selling price (ASP) of nitrile gloves. As a result of speeding up its production automation processes, some lines were shut down, leading to lower output, but we believe this will be temporary. The lower ASPs were due to lower input raw material prices. However, PBT grew at a higher rate than turnover. PBT rose 2% to RM40.5m thanks to margin expansion emanating from lower input raw material prices as well as better production efficiencies. As a result, PBT margin rose 2.1ppts to 14.2% from 12.1% in 2Q13. This brings 3Q13 net profit to RM35.8m (+0.5% QoQ). Interestingly, this quarter marks the second consecutive quarter of margins improvement. ➢ YoY, the 9M13's revenue rose 29% to RM935m on the back of new capacity from the new and refurbished lines from Lot 6070. Similarly, 9M13 net profit rose 16% to RM104m.
Top Glove Corporation	**Market Perform**	In Line	In Line	➢ YoY, the 1Q14 revenue was marginally lower by 2% at RM574m despite higher volume sales (+10%) which was negated by a lower average selling price (ASP). The stronger volume sales were driven by higher capacity utilisation as a result of ramp-up in demand for nitrile gloves, which accounted for 25% of overall sales. In addition, volume growth was also attributable to the continuous demand from developed and emerging markets, which are forecasted to continue growing at a rate of 8% to 10%. The PBT margin fell 1% ppts to 11% from 12% in 1Q14 due to the absence of the fair value gain on foreign exchange contracts of RM15.2m recognised in 1Q13. This brought the final net profit to RM50.3m (-13% YoY). ➢ QoQ, the 1Q14 revenue rose 5% as the higher volumes sales (+3%) more than offset the lower ASPs. However, 1Q14 pre-tax profit fell 3% to RM61.8m due largely to the unfavourable contribution from subsidiaries in China arising from

the challenging operating environment in the vinyl glove segment. The vinyl glove division recorded an EBIT loss of RM5.2m compared to a profit of RM0.8m in 4Q13.

Source : Company, Kenanga Research

No worries about potential high energy costs going forward. *Ceteris paribus*, the recently hike in electricity tariff is only expected to hit rubber gloves players earnings by 2-3%. We are not overly concerned since rubber gloves players are able to pass on the cost increase judging by past experience during electricity and natural gas tariff hikes. Electricity accounts for an estimated 20-30% of fuel costs which in turn make up 10% of total production costs of rubber gloves players. Natural gas accounts for the remaining 60-70%. From our observation as illustrated in the chart, earnings of rubber gloves players were not impacted from the hike in gas and electricity tariff back in 2011. Looking ahead, we believe that rubber glove players may face higher production costs following the recent increase in fuel pump prices, which is in line with the Government subsidy rationalisation programme. Effective Jun 2011, the government has raised gas price by 7% to RM16.07 per mmbtu from RM15 per mmbtu. There will be a subsequent 8-19% price increase every 6 months until 2015. However, the dateline for the last review in December 2011 had passed and yet to be effected. The table below indicate the earnings of rubber glove players based on 'pre' and 'post' implementation of the hike in gas price back in 2011. However, take note that during 2011, latex price shot up the roof starting from 2H, which could also explain the sharp drop in earnings of Top Glove being the most affected since its product mix was skewed towards natural rubber.

Quarterly earnings pre and post implementation of gas price hike in 2011



Source: Kenanga Research, Bloomberg

Demand for gloves still intact, estimated average >15% volume growth in 9MFY13. We believe that the average 10% demand growth p.a. for rubber gloves over the next few years can be sustained. In 2012, the total exports of gloves, synthetic rubber (SR) and natural rubber (NR) combined, rose 14.9% YoY to 40.7b pairs and 3.6% to RM9.8b in value. In 2012, Malaysia exported 18.6 billion pairs of SR gloves, which grew 26% YoY. The overall demand is expected to continue to be led by NR gloves, although SR gloves have consistently been nibbling at the former's market share. While latex-based gloves or NR gloves are still dominant (as a percentage to the overall exports of rubber gloves) in Malaysia, the trend is moving towards SR gloves. This was evident from the lower NR:SR sales value ratio of 61:39 in 2011 to 57:43 in 2012, and the sales volume ratio of 58:42 in 2011 compared to 54:46 in 2012. The quantity of NR gloves exported in 2012 rose 7% to 22.2n pairs YoY due to the low raw material input cost. The demand and strong double-digit growth rate of gloves are expected to continue with nitrile gloves taking the lead. We also expect latex-based gloves to continue to register positive volume sales as well due to the stable latex price.

GST is neutral to gloves makers. Generally, all goods exported out of Malaysia will be zero-rated. This means that the registered exporter does not collect GST on its exports. However, manufacturers, including rubber glove players would have to pay for GST on his business purchases or raw material costs before selling their product but is able to claim credit for the GST paid on the inputs. This means that manufacturers have to plan their cash flow and turnaround time diligently.

Oversupply concerns in CY2014 appear overplayed. Looking at the new gloves capacity coming on-stream towards end-CY2014, we are not overly concerned of a potential oversupply situation at least in CY2014. Based on the back-of-the-envelope calculations, applying the same sales volume growth of 15% achieved in 2012 and exports of 81.4b pieces of rubber gloves to 2013 and 2014, this would yield an additional increase of 12.2b and 14.1b pieces, respectively. Note that in 1H 2013, the average sales volume growth was between 18%-20%, which outpaced the 15% growth assumption as illustrated above. As such, the expected 14.1b pieces volume growth is slightly less than the totalled estimated new capacity of rubber glove players under our coverage of 16.4b. Hence, we believe any oversupply concerns in CY2014 appear overplayed. Furthermore, most glove manufacturers can only run at an average maximum utilisation rate of 90% as they require some downtime for maintenance while industry capacity expansions are only coming in progressively throughout CY2014. This implies the addition of only 14.8bn pieces (90% of 16.4b pieces) at end-CY2014.

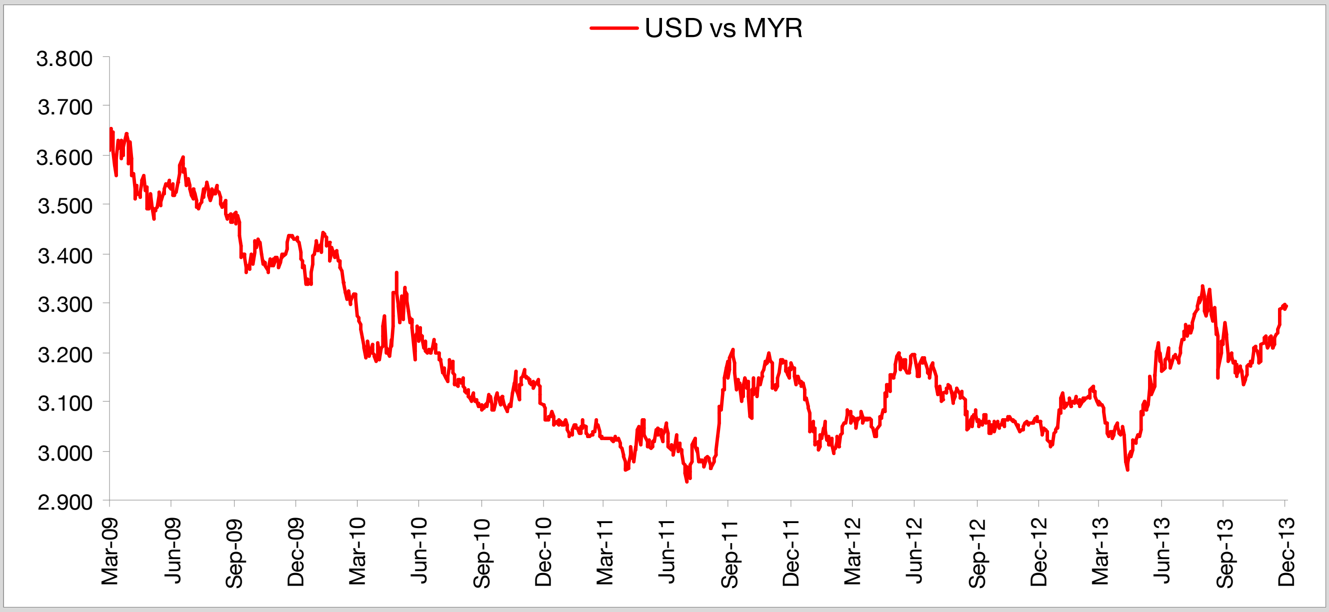
Demand-Supply Dynamic of Gloves

Estimated capacity coming on-stream in end CY14	Top Glove	Supermax	Kossan	Hartalega	Total
Estimated capacity in end CY2013 (bn pieces)	43.9	17.8	16.0	12.0	89.7
Estimated new capacity by end CY2014	4.0	5.4	5.0	2.0	16.4
Total estimated capacity by end CY2014	47.9	23.2	21.0	14.0	**106.1**
Estimated exports in end CY14					
Total exports in FY12 pieces (bn pieces)					81.4
Add: Assuming a 15% increase from FY12					12.2
Estimated Total exports in FY13 (bn pieces)					93.6
Add: Assuming a 15% increase from FY13					14.0
Estimated Total exports in FY14 (bn pieces)					**107.6**

Source: Companies, Kenanga Research

Weakening of Ringgit (RM) vs. US dollar (USD) is short-term positive to rubber glove players. Generally, a weakening Ringgit is positive for glove makers. Since sales are USD denominated, theoretically, a depreciating ringgit against the dollar will lead to more revenue receipts for glove makers. YTD 2013, the ringgit has weakened by 8% to RM3.28. Ceteris paribus, a 1% depreciation of RM against USD will lead to an average 1%-2% increase in the net profit of rubber glove players. However, we believe the impact from currency movements (RM vs USD) to glove players' earning is neutral over the long-term. This is because glove players typically hedge the currency on a consistent basis, hence in theory any negative or positive impact will be offset over time. Despite the de-pegging of the Ringgit back in 2005 (recall – the peg was at RM3.80 against USD1.00), glove players were still able to maintain their margins as well as registering yoy earnings growth (underpinned by consistent yoy sales volume growth).

USD vs MYR : Weakening of MYR is positive to exporters including rubber glove players



Source: Bloomberg, Kenanga Research

Expecting raw material inputs to trade lower or be maintained at current levels going forward. We expect both raw material prices of latex and nitrile to stay soft at least over the medium-term. We understand that there is abundant supply of nitrile raw material and we do not anticipate a shortage of nitrile. China is going ahead with adding eight more crude oil based naphtha crackers (Butadiene is the input raw material for nitrile produced from hydrocarbon i.e., natural gas or naphtha) within the next two years with four already rolling off in the first quarter of 2013 namely China Maoming Petrochemical Shihua with 100k tonnes capacity in Guangzhou, YPC-GPRO (100k tonnes capacity) in Nanjing, Sichuan Petrochemical (100k tonnes capacity) in Sichuan and Zhejiang Transfer Synthetic National (150k tonnes capacity) in Hangzhou. Formosa Petrochemicals in Taiwan, Titan Petrochemicals and Pertamina in Indonesia, Thailand PTT Global Chemicals and Bangkok Synthetics are also planning capacity expansions. These indicate that there will be no shortage of supply of nitrile raw materials over the next two years. Similarly, latex price appears to be trending lower/remaining low over the medium term due mainly to a slowdown in China, the biggest rubber user, consuming 3.85 million tons last year, representing 34% of global demand. According to RCMA Commodities Asia Group, a Singapore-based company that has traded rubber for nine decades, rubber is headed for the biggest glut on record as supply exceeds demand for a third year and Southeast Asian exporters ended curbs on shipments. The surplus will expand 57% to 490,000 metric tons this year, enough to meet U.S. demand for six months. As such, the surplus is expected to push down prices of natural rubber or at least keep prices low over the medium to long term. China, the largest buyer, will import 14% less in the seven months ending in December than a year earlier, according to estimates from the Association of Natural Rubber Producing Countries.

Top pick SUPERMAX, Maintain Outperform and TP = RM3.06 because it is trading at 12x FY14E EPS (23% discount to the sector average) compared to an average 14% net profit growth over the next two years. SUPERMX's YTD share price performance (+43%) is still lagging other players such as KOSSAN (+148%) and HARTALEGA (+53%). We believe the re-emergence of EPF as a substantial shareholder of SUPERMAX removes uncertainty and further lends credibility to the business model and management. Since our upgrade report in Feb 2013, the stock has risen by 43%. SUPERMX is trading at 12x FY14 earnings while KOSSAN is trading at 15x FY14 earnings. We believe the valuation gap should narrow when we consider that SUPERMX's capacity and net profit are at levels similar to KOSSAN. **Maintain OUTPERFORM with a TP of RM3.06 based on 12x FY14 EPS (The targeted PER is at +1.0SD level above the 5-year historical average).**

SUPERMX's new capacity net margin ranges from 9% to 11%. In anticipation of intense competition, management guided that the average selling price (ASP) for the new gloves capacity is priced such that net margin ranges between 9% and 11%. Although this is slightly below our 11.9% net margin forecast in FY14, we are not overly concerned. This is because SUPERMX is gradually automating its production processes starting from Lot 6070. Next, the two new plants in Lot 6058 and Lot 6059 in Meru, Klang when completed by early 1Q14 is expected to be fully automated from mechanical stripping to packing of gloves, which will lead to improvement in production efficiency. As such, we believe overall margins could improve due to better productivity and efficiency from the new plants. Additionally, unlike other glove players, SUPERMX does not face the risk of high downtime on production lines since they do not cater much for clients requesting for a single product type and special specification needs, thus reducing idle downtime from frequent machinery setting adjustments to accommodate such requirements.

We like KOSSAN, Maintain OUTPERFORM and TP of RM4.46. YTD 2013, KOSSAN's share price has appreciated >100%, outperforming its peers which only rose an average of 61%. Our FY14E forecast is 10% above consensus as we believe the market is under-appreciating KOSSAN's ability to improve margins. We like KOSSAN because: (i) of its superior net profit growth of 32% and 16% in FY14E and FY15E, respectively, compared to an average of 15% and 11% for TOP GLOVE and HARTALEGA in FY14E and FY15E, (ii) KOSSAN's unprecedented earnings growth is underpinned by rapid capacity expansion over the next two years, (iii) it is gradually raising its dividend payout ratio. We forecast full-year FY13 DPS to 6.3 sen, implying a 38% payout ratio – well ahead of its <20% payout ratios in the past three years (An interim tax-exempt dividend of 3.5 sen was declared in 4Q2013 which went ex-div on 6 Dec), and (iv) the fact that KOSSAN is not just a rubber glove play but a bet on its technical rubber product (TRP) division which is growing rapidly.

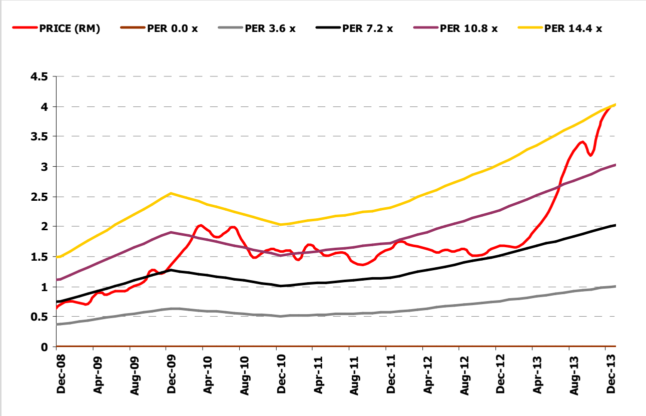
Potential margins expansion from new gloves production lines due to revised production scheduling. We believe KOSSAN's new gloves production lines could potentially lead to higher margins due to improvement in productivity and efficiency as the lines are designed to focus on larger orders with fewer clients (compared to previous production scheduling model) for a single product type and specification, thus reducing idle downtime from frequent machinery setting adjustments to accommodate diverse specifications. This could lead to an output of 35,000 pieces of gloves per hour, which is higher than its existing average production line speed of 29,000 gloves per hour, a robust 20% enhancement. Its current production style comprises shorter production lines catering to a large customer base with diverse products, which reduces reliance risk on few larger clients. However, such an arrangement limits margin expansion due to more downtime on frequent machinery setting adjustments.

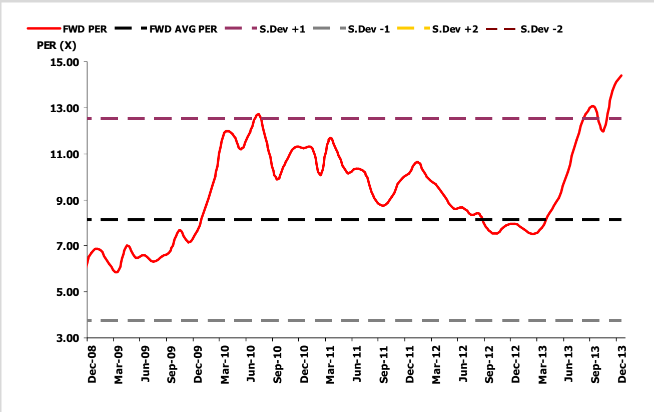
Two bets for the price of one. Kossan is not just a rubber glove play but a bet on its TRP division, which is growing strongly and is expected to contribute positively to overall earnings. This is because the TRP division has been growing at >20% QoQ at the pre-tax profit level over the past few quarters. For FY12, the division's pre-tax profit rose 62% YoY and accounted for 14% of the group's pre-tax profit compared to 12% in FY11. We are positive on its TRP division's expansion into the Indonesia's booming automotive sector, which is expected to see strong demand for engine parts. For the automotive industry, the TRP division posses experience in producing parts, including anti-vibration application in the forms of mounting bushes and hangers. These products include engine mounting for damping and anti-vibration, shock absorbing bushes for shock absorbers and chassis, exhaust hanger, under-hood profiles and sponge. Kossan is also looking to market its TRP products in Indonesia for the heavy industries in construction and infrastructure, i.e. bridges, which include engineered rubber products such as bridge bearing and railway pads, compression seals and expansion joints.

We like HARTALEGA for: (i) its "highly automated production processes" model, (ii) the solid improvement in its production capacity and reduction in costs, leading to better margins compared to its peers, (iii) its superior quality nitrile gloves through product innovation and (iv) its dominant position in a booming nitrile segment. Maintain Outperform with a **TP of RM8.13 based on 20x CY14 EPS (at +2.0 SD of its historical average)**. The 20x PER is at a 20% premium to Top Glove's 1-year forward PER of 16x target due to its superior margins (Hartalega's pre-tax margins averaged at 29% vs Top Glove's 12% and industry peers of 13% over the last three years) and better average three-year ROE of 33% vs Top Glove's 18%.

We maintain MARKET PERFORM on TOPGLVE and TP of RM6.10 based on 16x CY14E EPS. Looking ahead, Top Glove is expected to face difficulty maintaining decent ASPs to defend its market share due to its product mix, which is skewed towards the challenging latex-based gloves market. Its growth prospect going forward is expected to come from its capacity expansion by additional 2.2b pieces of gloves, or 5% growth to a total of 46b over in FY14, largely for nitrile gloves.

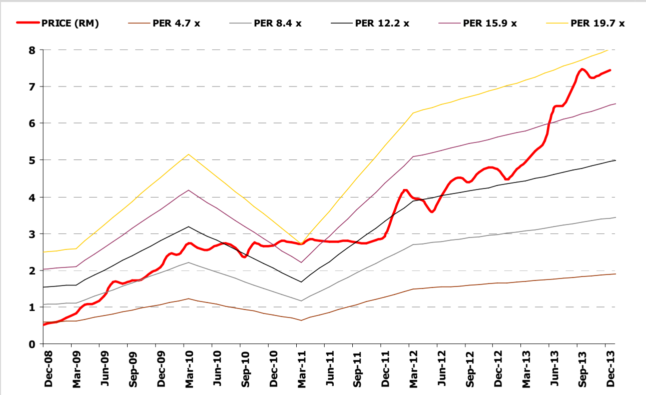
Kossan - Forward PER

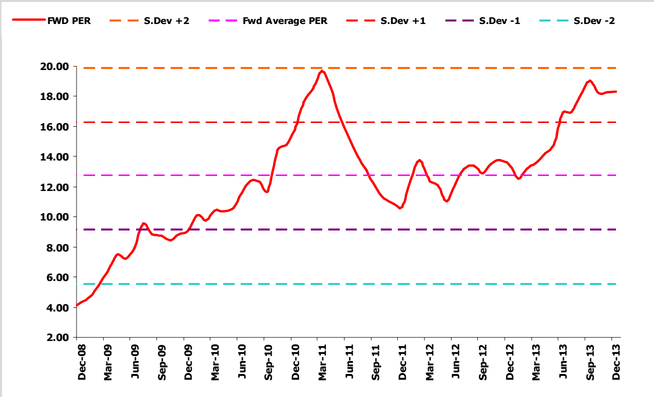




Source: Bloomberg, Kenanga Research

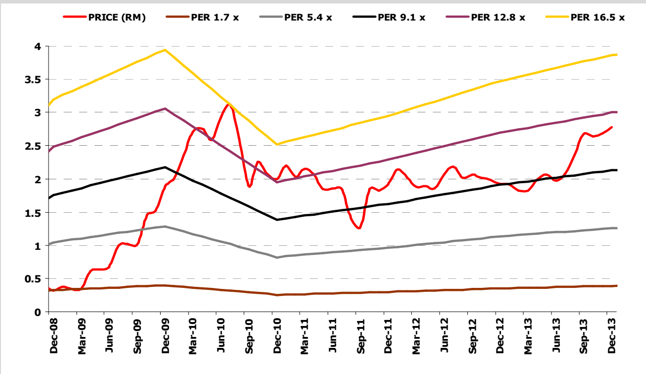
Hartalega - Forward PER

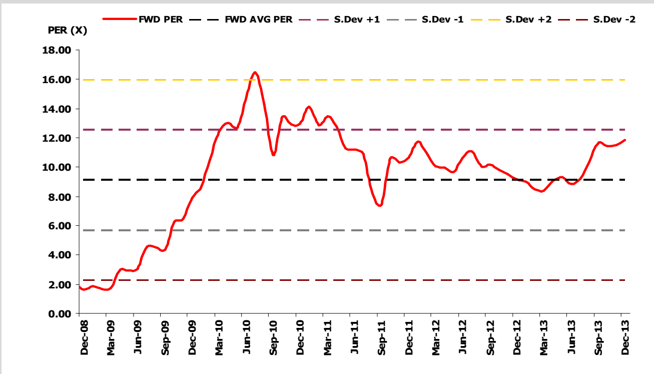




Source: Bloomberg, Kenanga Research

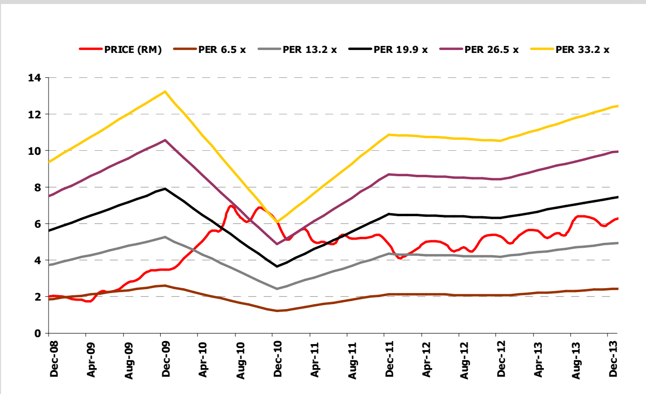
Supermax - Forward PER

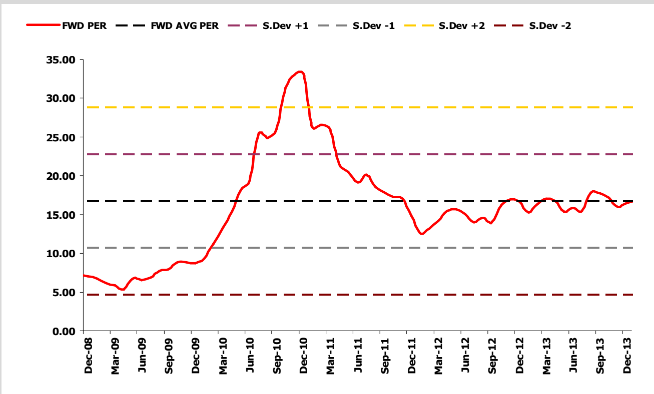




Source: Bloomberg, Kenanga Research

Top Glove - Forward PER





Source: Bloomberg, Kenanga Research

Rubber Gloves Sector Peer Comparison

NAME	Price (Dec 20) (RM)	Mkt Cap (RMm)	PER (x) FY13E	PER (x) FY14F	PER (x) FY15F	Est. Div. Yld. (%)	Historical ROE (%)	Historical P/BV (x)	Net Profit (RMm) FY13E	Net Profit (RMm) FY14E	Net Profit (RMm) FY15E	FY13 NP Growth (%)	FY14 NP Growth (%)	Target Price (RM)	Rating
CORE COVERAGE															
HARTALEGA HOLDINGS BHD	7.45	5,549.9	23.2	20.5	17.7	2.1	36.2	8.8	235.0	265.4	306.8	12.9	15.6	8.13	**Outperform**
KOSSAN RUBBER INDUSTRIES	4.00	2,557.9	18.9	14.4	12.5	1.6	18.6	4.2	135.1	177.8	205.4	32.2	31.6	4.46	**Outperform**
SUPERMAX CORP BHD	2.78	1,888.0	13.2	11.9	10.9	2.3	15.2	2.3	143.2	159.6	172.8	17.6	11.5	3.06	**Outperform**
TOP GLOVE CORP BHD	5.68	3,524.5	18.0	15.4	14.4	3.9	17.1	2.8	195.9	229.6	247.3	-3.4	17.2	6.10	**Market Perform**

Source: Bloomberg, Kenanga Research

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM :	A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
MARKET PERFORM	:A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERPERFORM	:A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

Sector Recommendations***

OVERWEIGHT :	A particular stock's Expected Total Return is MORE than 10% (an approximation to the 5-year annualised Total Return of FBMKLCI of 10.2%).
NEUTRAL	:A particular stock's Expected Total Return is WITHIN the range of 3% to 10%.
UNDERWEIGHT :	A particular stock's Expected Total Return is LESS than 3% (an approximation to the 12-month Fixed Deposit Rate of 3.15% as a proxy to Risk-Free Rate).

******Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.***

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KENANGA INVESTMENT BANK BERHAD (15678-H)
8th Floor, Kenanga International, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia
Telephone: (603) 2166 6822 Facsimile: (603) 2166 6823 Website: www.kenanga.com.my

Chan Ken Yew
Head of Research