



### KOSSAN RUBBER INDUSTRIES BERHAD

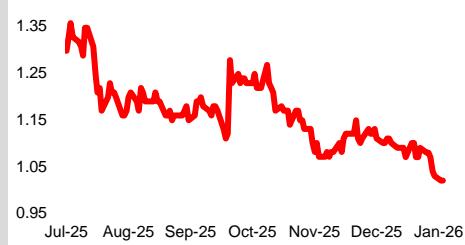
**Outperform**

#### DESCRIPTION

Unique from its industry peers, Kossan is Malaysia's largest technical rubber products manufacturer, coupled with latex and nitrile rubber gloves.

12-Month Target Price	RM1.50
Current Price	RM1.02
Expected Return	+46.9%
Previous Target Price	RM2.33
Market	Main
Sector	Rubber Gloves
Bursa Code	7153
Bloomberg Ticker	KRI MK
Shariah-compliant	Yes

#### SHARE PRICE CHART



#### SHARE PRICE PERFORMANCE

	1M	3M	6M
Absolute Returns	-8.1	-17.0	-22.5
Relative Returns	-10.6	-23.4	-32.2

#### KEY STOCK DATA

Market Capitalisation (RMm)	2,579.0
No. of Shares (m)	2,528.4

#### MAJOR SHAREHOLDERS

	%
Kossan Holdings SB	35.3
Employees Provident Fund	5.8
Aberdeen	5.6

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## Stable Outlook

Following our meeting with Tan Sri Dato' Lim Kuang Sia, Group Managing Director/CEO of Kossan Rubber (Kossan), we believe the Group's operational outlook for FY26F remains steady, underpinned by gradual volume recovery and cost optimisation initiatives. While industry conditions remain competitive, management appeared increasingly constructive on internal levers – particularly labour rationalisation, automation and potential land monetisation – to support earnings sustainability. All told, we maintain our FY25F-27F forecasts and reiterate our **Outperform** call on Kossan. However, we revise our target price lower to RM1.50 (from RM2.33), based on a 1-year historical average of 1.0x P/B multiple (previously 1.6x), given the still-competitive industry backdrop. The stock is currently trading at an undemanding 0.7x 1-year rolling forward P/B.

**§ Gradual demand recovery with premium pricing support.** For FY26F, management guides for 10–15% volume growth, supported by filled order books, with a new natural rubber glove plant (nine production lines) nearing completion. ASPs remain competitive at USD16.5–17.0/1k pcs (US market) and ~USD15.5/1k pcs (Europe market), with buyers still willing to pay a ~USD0.50–0.80/1k pcs premium for Malaysian gloves due to better quality consistency. Clean-room glove capacity, currently ~0.6% of total capacity, is expected to expand to ~3–4% of total capacity next year, targeting semiconductor users.

**§ Earnings visibility remains intact with operational efficiency plans.** The Group is optimistic of achieving at least RM100m in annual earnings for FY26F. However, in our opinion, this is a conservative target and we expect the Group to deliver a higher profit, mainly driven by its strategic cost-optimisation efforts. Labour efficiency and automation remain key focus areas, with management estimating savings of ~RM1,000 per million pieces, alongside plans to reduce the workforce to below 3,000 from the current <5,000. In addition, potential land monetisation opportunities could lead to significant disposal gains given the low acquisition cost, particularly the landbank measuring 824-acre in Bidor, Perak and the 57-acre in Batang Berjuntai, Selangor. For full-year FY25F, we expect a dividend of 4 sen per share, implying an estimated payout ratio of c.80%. The Group remains cash-rich, with a net cash position of RM1.6bn as at end-September.

**§ FX exposure largely mitigated.** Management does not expect USD weakness to materially impact margins, noting that raw materials remain USD-linked. Kossan has hedged certain committed orders for 1QFY26 at around RM4.15/USD through May 2026, suggesting limited near-term FX risk.

#### KEY FORECAST TABLE

FYE Dec (RM m)	2023A	2024A	2025F	2026F	2027F	CAGR
Revenue	1,591.0	1,916.2	1,983.5	2,091.9	2,434.2	11.2%
Operating Profit	72.9	73.9	120.5	165.7	197.1	28.2%
Pre-tax Profit	34.5	157.3	166.2	215.4	253.5	64.6%
Net Profit	13.3	118.3	130.3	168.9	198.7	96.5%
Core Net Profit	38.8	97.2	130.3	168.9	198.7	
EPS (Sen)	0.5	4.6	5.2	6.7	7.9	
P/E (x)	198.1	22.2	20.0	15.4	13.1	
DPS (Sen)	4.0	8.0	4.1	2.7	3.1	
Dividend Yield (%)	3.9	7.8	4.0	2.6	3.1	

Source: Company, PublicInvest Research estimates



## KEY FINANCIAL DATA

## INCOME STATEMENT DATA

FYE Dec (RM m)	2023A	2024A	2025F	2026F	2027F
<b>Revenue</b>	<b>1,591.0</b>	<b>1,916.2</b>	<b>1,983.5</b>	<b>2,091.9</b>	<b>2,434.2</b>
Cost of sales	-950.5	-1,138.2	-1,254.6	-1,250.8	-1,443.8
Operating Profit	72.9	73.9	120.5	165.7	197.1
Other Gains / (Losses)	47.5	51.0	52.8	55.7	64.8
Finance Costs	41.6	42.9	-7.1	-6.0	-8.3
<b>Pre-tax Profit</b>	<b>34.5</b>	<b>157.3</b>	<b>166.2</b>	<b>215.4</b>	<b>253.5</b>
Income Tax	-18.2	-36.5	-33.2	-43.1	-50.7
Effective Tax Rate (%)	52.8	23.2	20.0	20.0	20.0
Minorities	-3.0	-2.4	-2.7	-3.5	-4.1
<b>Net Profit</b>	<b>13.3</b>	<b>118.3</b>	<b>130.3</b>	<b>168.9</b>	<b>198.7</b>
<b>Core Net Profit</b>	<b>38.8</b>	<b>97.2</b>	<b>130.3</b>	<b>168.9</b>	<b>198.7</b>
<b>Growth</b>					
Revenue		20%	4%	5%	16%
Operating Profit		1%	63%	38%	19%
PATAMI		>100%	10%	30%	18%

Source: Company, PublicInvest Research estimates

## BALANCE SHEET DATA

FYE Dec (RM m)	2023A	2024A	2025F	2026F	2027F
Property, Plant & Equipment	1,294.4	1,492.1	1,689.5	1,856.9	2,011.5
Cash and Cash Equivalents	1,271.3	976.1	846.4	728.7	644.1
Receivables, deposits and prepayment	248.4	364.3	377.1	397.7	462.7
Other Assets	1,388.2	1,275.1	1,344.7	1,401.9	1,500.6
<b>Total Assets</b>	<b>4,202.3</b>	<b>4,107.6</b>	<b>4,257.6</b>	<b>4,385.2</b>	<b>4,618.9</b>
Payables	192.0	225.9	197.7	253.4	293.7
Borrowings	10.4	59.3	213.5	180.5	250.6
Deferred tax	120.5	118.1	118.1	118.1	118.1
Other Liabilities	43.4	59.5	57.5	60.9	65.0
<b>Total Liabilities</b>	<b>366.3</b>	<b>462.8</b>	<b>586.8</b>	<b>613.0</b>	<b>727.5</b>
Shareholders' Equity	3,836.0	3,644.8	3,670.8	3,772.1	3,891.4
<b>Total Equity and Liabilities</b>	<b>4,202.3</b>	<b>4,107.6</b>	<b>4,257.6</b>	<b>4,385.2</b>	<b>4,618.9</b>

Source: Company, PublicInvest Research estimates

## PER SHARE DATA &amp; RATIOS

FYE Dec	2023A	2024A	2025F	2026F	2027F
Book Value Per Share	1.5	1.4	1.5	1.5	1.5
NTA Per Share	1.5	1.4	1.4	1.5	1.5
EPS (Sen)	0.5	4.6	5.2	6.7	7.9
DPS (Sen)	4.0	8.0	4.1	2.7	3.1
Payout Ratio (%)	>100.0	>100.0	80.0	40.0	40.0
ROA (%)	0.9	2.4	3.1	3.9	4.3
ROE (%)	1.0	2.7	3.5	4.5	5.1

Source: Company, PublicInvest Research estimates



## RATING CLASSIFICATION

### STOCKS

<b>OUTPERFORM</b>	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12months.
<b>NEUTRAL</b>	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
<b>UNDERPERFORM</b>	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
<b>TRADING BUY</b>	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
<b>TRADING SELL</b>	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
<b>NOT RATED</b>	The stock is not within regular research coverage.

### SECTOR

<b>OVERWEIGHT</b>	The sector is expected to outperform a relevant benchmark over the next 12 months.
<b>NEUTRAL</b>	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
<b>UNDERWEIGHT</b>	The sector is expected to underperform a relevant benchmark over the next 12 months.

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