

28 November 2025

# Kossan Rubber Industries

## Earnings Delayed Not Denied

By Raymond Choo Ping Khoo | [pkchoo@kenanga.com.my](mailto:pkchoo@kenanga.com.my)

**KOSSAN's 9MFY25 results met expectations. The group is cautiously optimistic for a solid recovery in subsequent quarters as it anticipates a surge in orders due to depletion of inventory from front-loading effects by US customers in end-CY24, and order backlog arising from an earlier gas supply disruption. We keep our earnings forecast unchanged. TP of RM2.70 is based on 1.8x FY26F BVPS or at 2SD below its pre-Covid 5-year historical 1-year forward average. Reiterate OUTPERFORM.**

Its 9MFY25 net profit came in at RM105m (+13% YoY) or accounting for 64% and 74% of our and consensus full-year net profit forecasts, respectively. We consider the results within our expectation as the resumption in production and orders backlog will be fulfilled in subsequent quarters. Note that KOSSAN temporarily stopped production for 10 days in April following the gas supply shutoff due to a gas pipeline explosion in Putra Heights, coupled with disruptions in global container vessel shipments which was restored in July CY25. An interim DPS of 2 sen was declared, within our expectation.

**QoQ**, its 3QFY25 revenue rose 15% due to both higher sales volume (we believe >-10%) and a lower ASP. The higher revenue was due to shipments delayed and resumption of US orders. Note that KOSSAN temporarily stopped production for 10 days in April following the gas supply shutoff due to a gas pipeline explosion in Putra Heights, coupled with disruptions in global container vessel shipments which was restored in July CY25. This brings 3QFY25 net profit higher by 21% to RM38m due to a lower effective tax rate.

**YoY**, its 9MFY25 revenue fell 6%, we believe due to higher sales volume but more than offset by lower ASP. Its EBITDA rose 7% due to better economies of scale. This led to a 1.7 ppts EBITDA margin expansion to 14% compared to 12.3% in 9MFY24. As a result, 9MFY25 net profit rose 13% to RM105m.

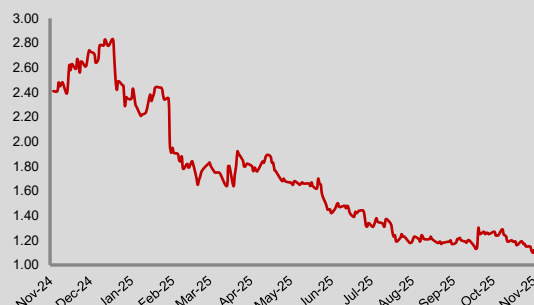
**Outlook.** We are positive on Kossan's prospects moving into FY26. The group is optimistic that global glove demand continues to show early signs of stabilisation, supported by steady restocking activities and a gradual return to more normalised consumption levels despite a moderate recovery trajectory which supports the glove industry's long-term prospects. We believe KOSSAN is expected to be less affected as it focuses on specialty gloves which fetch better margins. Moreover, with its disciplined cost structure and continuous efforts to streamline operations, the group's profitability is expected to be less impacted by any potential orders slowdown. For illustration purposes, ceteris paribus, an increase in revenue by 10% in 4QFY25 via a 10% increase in sales volume (possible due to orders back logged in 2QFY25) could potentially see 4QFY25 pencilling in between RM40m-RM60m of profits, assuming any incremental gain in revenue will flow directly to bottomline.

**Valuations.** We maintain our earnings forecasts. Our TP of RM2.70 is based on 1.8x FY26F BVPS or at 2SD below its pre-Covid 5-year historical 1-year forward average. We like KOSSAN for it is: (i) trading at 10x PER-ex cash (RM1.56b or RM0.61/share net cash and net cash per share), (ii) its solid management, and (iii) focusing on specialty gloves which fetch better margins. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us (see Page 3). Reiterate **OUTPERFORM**.

# OUTPERFORM ↔

**Price:** RM1.10  
**Target Price:** RM2.70 ↔

### Share Price Performance



KLCI	1,617.46
YTD KLCI chg	-1.5%
YTD stock price chg	-61.1%

### Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KRI MK
Market Cap (RM m)	2,781.2
Shares Outstanding	2,528.4
52-week range (H)	2.87
52-week range (L)	1.06
3-mth avg. daily vol.	4,979,103
Free Float	46%
Beta	0.9

### Major Shareholders

Kossan Holdings SdnBhd	35.3%
EPF	5.6%
Abrdn Plc	5.6%

### Summary Earnings Table

FY Dec (RMm)	2024A	2025F	2026F
Turnover	1906.8	2204.7	2259.5
PBT	158.0	213.7	218.9
<b>Net Profit</b>	120.0	163.3	164.6
<b>Core Net Profit</b>	120.0	163.3	164.6
Consensus (NP)	-	141	161
Earnings Revision	-	-	-
Core EPS (sen)	4.7	6.4	6.4
Core EPS Growth (%)	142.0	36.0	0.8
NDPS (sen)	10.0	4.0	4.0
BVPS (RM)	1.43	1.45	1.47
Core PER (x)	23.4	17.2	17.1
Price/BV (x)	0.8	0.8	0.7
Net Gearing (%)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	9.1	3.6	3.6

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**Key risks to our recommendation include:** (i) certain Chinese glove giants ramp up predatory pricing practices (i.e. selling below cost over an extended period of time to eliminate competitors), (ii) weaker-than-expected growth in demand for gloves due to slower-than-anticipated hygiene standards implementation and health awareness globally, and (iii) unfavourable changes in tariffs to Malaysian glove makers.

**Result Highlights**

	3Q	2Q	Q-o-Q	3Q	Y-o-Y	9M	9M	Y-o-Y
FY Dec (RM m)	FY25	FY25	Chg %	FY24	Chg %	FY24	FY25	Chg %
<b>Turnover</b>	439.0	382.2	14.9	507.4	(13.5)	1,388.9	1,308.5	(5.8)
EBITDA	61.9	55.8	10.9	57.7	7.3	170.9	183.2	7.2
Depreciation	(23.6)	(24.9)	(5.3)	(27.5)	(14.2)	(81.6)	(73.9)	(9.5)
Net interest income	6.7	7.6	(11.3)	9.6	(29.7)	30.0	21.4	(28.8)
EI <sup>^</sup>	0.0	0.0	NM	0.0	NM	0.0	0.0	0.0
PBT	45.0	38.5	16.9	39.7	13.2	119.3	130.7	9.6
Tax	(6.8)	(7.1)	(4.6)	(9.7)	(30.3)	(25.1)	(25.0)	(0.3)
Minority interest	(0.4)	(0.3)	64.5	(0.6)	(31.9)	(1.9)	(1.1)	(45.1)
<b>Net profit / (loss)</b>	37.8	31.2	21.4	29.4	28.5	92.3	104.6	13.4
<b>Core net profit / (loss)</b>	37.8	31.2	21.4	29.4	28.5	92.3	104.6	13.4
EPS / (LPS) (sen)	1.5	1.2	22.0	1.2	30.4	3.6	4.1	14.4
EBITDA margin (%)	14.1	14.6		11.4		12.3	14.0	
PBT margin (%)	10.3	10.1		7.8		8.6	10.0	
NP margin (%)	8.6	8.2		5.8		6.6	8.0	
Effective tax rate (%)	15.0	18.4		24.4		21.0	19.1	

Source: Kenanga Research, Company

**Quarterly segmental breakdown**

	1Q25	2Q25	3Q25	Chg %	9M	9M	Chg %
				q-o-q	FY24	FY25	y-o-y
<b>Revenue (RM m)</b>							
<b>Gloves division</b>	415.7	315.1	359.5	14.1	1,144.4	1,090.2	(4.7)
<b>Technical rubber products (TRP) division</b>	45.7	43.6	53.4	22.4	160.8	142.8	(11.2)
<b>Cleanroom products division</b>	26.0	23.4	26.1	11.6	83.7	75.5	(9.8)
<b>Total</b>	487.4	382.2	439.0	14.9	1,388.9	1,308.5	(5.8)
<b>Pre-tax profit (RM m)</b>							
<b>Gloves division</b>	37.3	30.8	36.5	18.4	78.6	104.6	33.1
<b>Technical rubber products (TRP) division</b>	4.9	3.4	4.2	24.8	24.8	12.5	(49.6)
<b>Cleanroom products division</b>	3.5	2.9	3.5	20.2	6.9	9.8	43.3
<b>Investment Holding</b>	1.6	1.4	0.8	(40.9)	9.0	3.8	(57.7)
<b>Total</b>	47.3	38.5	45.0	16.9	119.3	130.7	9.6
<b>Pre-tax profit margin (%)</b>							
<b>Gloves division</b>	9	10	10		3	10	
<b>Technical rubber products division</b>	11	8	8		15	9	
<b>Cleanroom products division</b>	14	12	13		8	13	

Source: Kenanga Research, Company

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### Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM'm)	Shariah Compliant	Current FYE	Core EPS / (LPS) (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
<b>Stocks Under Coverage</b>																	
HARTALEGA HOLDINGS BHD	OP	1.01	2.30	127.7%	3,447	Y	03/2026	2.4	6.4	9.9%	164.8%	41.9	15.8	0.8	1.9%	1.0	1.0%
KOSSAN RUBBER INDUSTRIES	OP	1.10	2.70	145.5%	2,781	Y	12/2025	6.4	6.4	36.1%	0.8%	17.2	17.1	0.8	4.4%	4.0	3.6%
SUPERMAX CORP BHD	MP	0.370	0.490	32.4%	1,131	N	06/2026	(1.4)	0.9	-129%	-33.5%	N.A.	39.7	0.3	-1.1%	0.0	0.0%
TOP GLOVE CORP BHD	OP	0.590	0.750	27.1%	4,731	Y	08/2026	1.6	1.7	145%	3.6%	35.8	34.6	1.0	2.8%	0.8	1.4%

Source: Kenanga Research

### Stock ESG Ratings:

	Criterion	Rating		
<b>GENERAL</b>	Earnings Sustainability & Quality	★	★	☆
	Community Investment	★	★	★
	Workers Safety & Wellbeing	★	★	☆
	Corporate Governance	★	★	★
	Anti-Corruption Policy	★	★	★
	Emissions Management	★	★	★
<b>SPECIFIC</b>	Product Quality & Safety	★	★	☆
	Effluent/Waste Management	★	★	★
	Automation & Innovation	★	★	★
	Energy Efficiency	★	★	★
	Supply Chain Management	★	★	★
	Legal & Regulatory Compliance	★	★	
<b>OVERALL</b>		★	★	★

☆ denotes half-star  
 ★ -10% discount to TP  
 ★★ -5% discount to TP  
 ★★★ TP unchanged  
 ★★★★ +5% premium to TP  
 ★★★★★ +10% premium to TP

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**Stock Ratings are defined as follows:****Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

**Sector Recommendations\*\*\***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

**\*\*\*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)**

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia  
Telephone: (603) 2172 0880 Website: [www.kenanga.com.my](http://www.kenanga.com.my) E-mail: [research@kenanga.com.my](mailto:research@kenanga.com.my)