

22 May 2026

Kossan Rubber Industries

A Good Start to FY26

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KOSSAN's 1QFY26 results met expectations. Looking ahead, the group is cautiously optimistic for a sustained recovery, and continues to accelerate its transformation program, focusing on automation, digital solutions and cost optimisation to enhance operational efficiency. In anticipation of higher raw material price, we raise our FY26F ASP, leading to a slight margin improvement and FY26 net profit by 5% but keep our FY27 forecasts. Our TP is RM1.50 based on 21x FY27F EPS, in line with its 5-year historical 1-year forward average. Reiterate **OUTPERFORM**.

1QFY26 net profit came in within expectations at RM40m (+11% YoY) accounting for 24% and 26% of our and consensus full-year net profit forecasts, respectively. No dividend was declared which was expected.

YoY, 1QFY26 revenue fell 4% due to the strengthening of Ringgit against the USD but mitigated by higher sales volume of gloves. EBITDA margin improve slightly from 13.5% in 1QFY25 to 14% in 1QFY26 due to better economies of scale arising from higher volume sales. This brought 1QFY26 net profit higher by 11% to RM40m due to lower effective tax rate of 14% vs. 24% in 1QFY25. **QoQ**, 1QFY26 revenue rose 7%, due to higher sales volume. However, net profit fell 15% impacted by higher effective tax rate of 14% compared to a positive tax writeback from over provision in prior years in 4QFY25.

Outlook. Due to the high oil price amidst geopolitics tension in the Middle East, input raw material nitrile prices has risen by >50%. For illustration purposes, since raw material accounts for 40% of total cost, a 50% cost increase in input nitrile will reduce bottom line by 20%, assuming no cost pass-through. In order to mitigate the rising cost, we understand from the industry that for thin gauge glove, nitrile ASP has gradually increased from USD20 to USD24-USD28 per 1,000 pieces moving into 2QFY26. Looking ahead, we believe KOSSAN is expected to be less impacted by any potential orders slowdown due to its robust disciplined cost structure, a solid balance sheet and focused towards higher-value products is expected to be less affected as it focuses on specialty gloves which fetch better margins.

Forecasts and valuations. In anticipation of higher raw material price, we raise our FY26F ASP, leading to a slight margin improvement and FY26 net profit by 5% but keep our FY27 forecasts. We raise FY26F ASP assumption to USD24/1,000 pieces (previously USD20). However, we keep our FY27F forecast. Our TP remains at RM1.50 based on unchanged 21x FY27F EPS, in line with its 5-year historical 1-year forward average (refer chart in page 3). We like KOSSAN for: (i) trading at 12x PER-ex cash (RM1.65b or RM0.64/share net cash and net cash per share as at 31 Mar 2026), (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: **RM1.20**
Target Price: **RM1.50** ↔

Share Price Performance



KLCI	1,708.36
YTD KLCI chg	1.7%
YTD stock price chg	10.1%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	KRI MK
Market Cap (RM m)	3,026.5
Shares Outstanding	2,522.0
52-week range (H)	1.74
52-week range (L)	0.94
3-mth avg. daily vol.	8,101,248
Free Float	45%
Beta	0.5

Major Shareholders

Kossan Holdings SdnBhd	35.4%
EPF	5.9%
Abrdn Plc	5.6%

Summary Earnings Table

FY Dec (RMm)	2025A	2026F	2027F
Turnover	1748.0	2224.2	2177.3
PBT	175.1	228.2	244.6
Net Profit	151.3	173.0	185.5
Core Net Profit	151.3	173.0	185.5
Consensus (NP)	-	156	175
Earnings Revision	-	+5%	-
Core EPS (sen)	6.0	6.8	7.3
Core EPS Growth (%)	27.8	12.7	7.3
NDPS (sen)	4.0	4.0	4.0
BVPS (RM)	1.45	1.48	1.51
Core PER (x)	20.3	17.7	16.5
Price/BV (x)	0.8	0.8	0.8
Net Gearing (%)	N.Cash	N.Cash	N.Cash
Net Div. Yield (%)	3.4	3.4	3.4

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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

	4Q	1Q	1Q	Q-o-Q	Y-o-Y
FY Dec (RM m)	FY25	FY25	FY26	Chg %	Chg %
Turnover	439.5	487.4	470.4	7.0	(3.5)
EBITDA	64.2	65.6	65.6	2.3	0.1
Depreciation	(26.3)	(25.4)	(26.2)	(0.3)	3.3
Net interest income	6.5	7.0	6.8	4.8	(3.2)
EI [^]	0.0	0.0	0.0	NM	NM
PBT	44.4	47.2	46.2	4.2	(2.1)
Tax	2.5	(11.2)	(6.5)	(356.7)	(42.4)
Minority interest	(0.2)	(0.4)	(0.2)	15.0	(34.2)
Net profit / (loss)	46.7	35.7	39.5	(15.3)	10.9
Core net profit / (loss)	46.7	35.7	39.5	(15.3)	10.9
EPS / (LPS) (sen)	1.9	1.4	1.6	(15.7)	11.4
EBITDA margin (%)	14.6	13.5	14.0		
PBT margin (%)	10.1	9.7	9.8		
NP margin (%)	10.6	7.3	8.4		
Effective tax rate (%)	(5.7)	23.7	14.0		

Source: Kenanga Research, Company

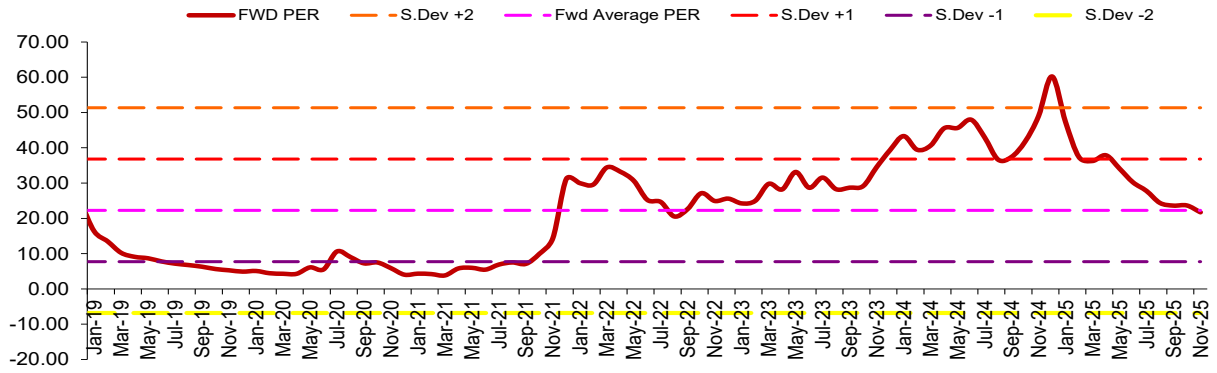
Quarterly segmental breakdown

	1Q25	4Q25	1Q26	Chg %	Chg %
				q-o-q	y-o-y
Revenue (RM m)					
Gloves division	415.7	367.7	400.9	9.0	(3.6)
Technical rubber products (TRP) division	45.7	45.1	42.8	(5.1)	(6.5)
Cleanroom products division	26.0	26.7	26.7	(0.1)	2.8
Total	487.4	439.4	470.4	7.0	(3.5)
Pre-tax profit (RM m)					
Gloves division	36.3	37.6	40.1	4.0	10.5
Technical rubber products (TRP) division	4.9	3.7	2.2	(42.0)	(55.7)
Cleanroom products division	4.4	2.6	3.6	119.4	(18.4)
Investment Holding	1.6	0.3	0.3	2.4	(81.1)
Total	47.2	44.4	46.2	4.4	(2.1)
Pre-tax profit margin (%)					
Gloves division	9	10	10		
Technical rubber products division	11	8	5		
Cleanroom products division	17	10	14		

Source: Kenanga Research, Company

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Kossan : PER Band



Source: Bloomberg, Kenanga

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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.				
Stocks Under Coverage																	
HARTALEGA HOLDINGS BHD	MP	1.31	1.18	-9.9%	4,464	Y	03/2026	4.8	5.2	100%	8%	27.5	25.3	1.0	3.6%	2.0	1.5%
KOSSAN RUBBER INDUSTRIES	OP	1.20	1.50	25.0%	3,026	Y	12/2026	6.8	7.3	14%	7%	17.7	16.5	0.8	4.6%	4.0	3.3%
SUPERMAX CORP BHD	UP	0.330	0.240	-27.3%	1,009	N	06/2026	(3.1)	0.6	-163%	-82%	N.A.	59.5	0.3	-2.5%	0.0	0.0%
TOP GLOVE CORP BHD	OP	0.810	0.750	-7.4%	6,495	Y	08/2026	1.5	1.7	117%	17%	55.6	47.5	1.4	2.5%	0.7	0.8%

Source: Kenanga Research

Stock ESG Ratings:

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

☆ 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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