

Kossan Rubber Industries

Optimistic of a Better 2026

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We are positive on Kossan's prospects for the rest of CY26 following a meeting with the group. The group possesses strong order visibility for the remainder of the year, guiding utilisation >80%. We are optimistic of a strong sequential 2QFY26 led by higher ASP, volume sales and margin improvement. We keep our earnings forecasts unchanged, TP of RM1.50. Reiterate **OUTPERFORM**.

Optimistic for a better FY26, with 2Q26 better than 1Q26. The group possesses strong order visibility for the remainder of the year, guiding plant utilization to exceed 80% in 2HFY26 (our FY26 assumption is 80%). It is optimistic for 2QFY26 sales volumes, expecting a 10% increase QoQ from 1QFY26. For comparison, 1QFY26 utilization stood at 80% (equivalent to 1.5 billion pieces per month), a significant recovery from 65% in 1QFY25. To mitigate volatile raw material costs, where a hypothetical 50% spike in input nitrile would reduce the bottom line by 20% assuming zero cost pass-through, average selling prices (ASPs) are expected to rise. It projects 2QFY26 nitrile ASPs to land between USD 26 and USD 29 per 1,000 pieces, up from USD 16 to USD 18 in 1QFY26. While ASPs have since softened to USD 20–24 per 1,000 pieces following a retracement in input nitrile prices, we conservatively model USD 24 per 1,000 pieces in our FY26 forecast. Overall, the group expects 3QFY26 and 4QFY26 performance to be flat to slightly stronger than 1QFY26, as expanding volume sales offset the impact of lower ASPs.

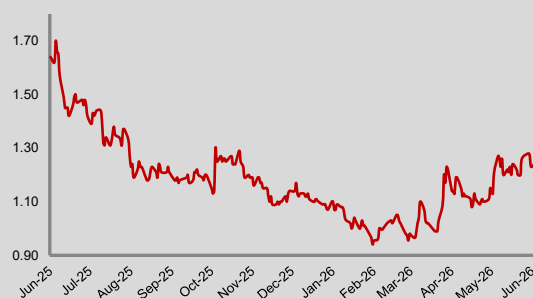
Transforming its plants to compete efficiently. Looking ahead, Kossan is accelerating automation initiatives to reduce its reliance on manual labour to better compete with Chinese glovemakers. The group aims to cut its foreign labour workforce by 20% from its current base of 5,000 workers. Key operational efficiency and cost-reduction measures include production line revamps, automated packaging, the deployment of AI-assisted defect detection systems, and broader digitization across its operations. Typically, energy and chemicals account for 19% and 8% of total production costs, respectively. Kossan expects these cost-optimization efforts to continually drive down manufacturing expenses heading into CY2027. This strategy is critical given the structural cost disadvantages the group faces; currently, Kossan's utility costs (electricity, water, and gas) are approximately USD 1.00 per 1,000 pieces higher than those of its Chinese peers.

Specialty and cleanroom gloves mitigate low margin thin gauge nitrile glove. The group's strategic pivot toward specialty and cleanroom gloves is a step in the right direction, mitigating its exposure to ongoing price wars within the commoditized, low-margin generic nitrile segment. According to our estimates, specialty glove ASPs are 60% to 80% higher than generic medical gloves, while cleanroom gloves command a 3x premium. Backed by a "sticky" customer base—due to the mission-critical nature of cleanroom applications where switching costs outweigh potential savings—the group is expanding its cleanroom capacity from 300–400 million pieces per year to 800 million pieces by FY27. This segment serves both the semiconductor (50%) and pharmaceutical (50%) industries. In FY25, cleanroom gloves generated RM100m in revenue and RM12m in pre-tax profit. Extrapolating this baseline against the upcoming capacity expansion suggests that on a full-year basis, cleanroom revenue and pre-tax profit could double to RM200m and RM24m, respectively. Currently, the group's overall volume mix stands at 30% specialty gloves versus 70% generic gloves.

OUTPERFORM ↔

Price: RM1.20
Target Price: RM1.50 ↔

Share Price Performance



KLCI	1,675.50
YTD KLCI chg	-0.3%
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.	8,700,807
Free Float	46%
Beta	0.4

Major Shareholders

Kossan Holdings SdnBhd	35.4%
EPF	5.8%
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)	-	162	176
Earnings Revision	-	-	-
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 (%)	3.3	3.3	3.3

10 June 2026

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.
Stocks Under Coverage																	
HARTALEGA HOLDINGS BHD	MP	1.27	1.18	-7.1%	4,327	Y	03/2026	4.8	5.2	100%	8%	26.6	24.6	1.0	3.6%	2.0	1.6%
KOSSAN RUBBER INDUSTRIES	OP	1.20	1.50	25.0%	3,026	Y	12/2025	6.8	7.3	14%	7%	17.7	16.5	0.8	4.6%	4.0	3.3%
SUPERMAX CORP BHD	UP	0.305	0.240	-21.3%	932	N	06/2025	(3.6)	0.6	-173%	-84%	N.A.	55.0	0.3	-2.9%	0.0	0.0%
TOP GLOVE CORP BHD	OP	0.825	0.750	-9.1%	6,615	Y	08/2025	1.5	1.7	117%	17%	56.6	48.4	1.4	2.5%	0.7	0.9%

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

10 June 2026

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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