Corporate Update

Kossan Rubber Industries Berhad

(7153 | KRI MK) Main | Healthcare | Healthcare Equipment and Services

SHARIAH Compliant

Upgrade to BUY
(from NEUTRAL)
Revised Target Price **RM1.30**
(from RM1.29)

Higher ASP, Improved Efficiency offset Challenges

Upgrade to BUY. Kossan Rubber Industries (KRI)'s 9MFY25 earnings came in within our expectations at 72% and below consensuses at 67%. We make a marginal adjustment to our earnings forecast and changed our target price from RM1.29 to **RM1.30**. Likewise, we upgrade our call to a **BUY**.

9MFY25 core PATAMI up +19%yoy. 3QFY25 and 9MFY25 revenues dropped to RM439m (-14%yoy) and RM1.3b (-6%yoy) respectively. Conversely, 3QFY25 and 9MFY25 core PATAMI gained to RM32.3m (+49%yoy) and RM88m (+19%yoy) respectively.

Lower deliveries for TRP offset by higher Glove ASP. Technical Rubber (TRP) segment's 3QFY25 and 9MFY25 revenues dropped to RM53.4m (+14%yoy) and RM142.8m (-11%yoy) respectively. Likewise, PBT lost to RM4.2m (-22%yoy) and RM12.5m (-50%yoy) respectively. This weaker performance is due to lower deliveries and lower margin products mix.

Gloves segment's 3QFY25 and 9MFY25 revenues dropped to RM359.4m (-13%yoy) and RM1.1b (-5%yoy) respectively. This is due to a 10-day production halt from a gas supply issue and spillover from vessel disruptions, which caused lower production volume. Conversely, PBT added to RM36.5m (+22%yoy) and RM104.6m (+33%yoy) respectively, attributed to higher ASP and improved efficiency.

Clean-room segment's 3QFY25 and 9MFY25 revenues also dropped to RM26.1m (-23%yoy) and RM75.5m (-10%yoy) respectively. Meanwhile, PBT gained to RM3.5m (+77%yoy) and RM9.8m (+43%yoy) respectively.

Moving forward: stabilised demand mitigates tariff uncertainties. The global demand shows early signs of stabilisation, supported by restocking and normalised consumption back to pre-pandemic levels. While we noted that recovery remains moderate, the long-term prospects are generally positive for most glove-makers, including KRI. Nonetheless, the risk of uncertainty over the US tariff policies and competitive pressure from Chinese manufacturers may continue to impact pricing and sentiment. For KRI, the focus will be mainly on: (i) capacity management, (ii) operational efficiency, (iii) product quality differentiation, and (iv) sustainability commitments.

Earnings estimates revised. Considering the weaker performance of the group's TRP division, despite 9MFY25 core earnings came in within our expectations, we adjust our earnings forecast for FY25 marginally downwards by -0.5% and FY26-27 upwards by +0.4% and +0.1%. As such, we revise our **target price to RM1.30** (previously RM1.29), pegging on the PER of 28.1x to a new EPS26 of 5.2sen. All in all, we are optimistic on KRI's near term operations. The group's resilient balance sheet and agile production continues to navigate the uncertainties within the sector, whilst capturing opportunities to recovery. We expect the Glove and Cleanroom divisions to remain stable till end-year, while TRP division is expected to maintain satisfactory. Considering the steady growth demand and continuous vigilance on global challenges, we upgraded our call for KRI to **BUY.**

RETURN STATISTICS	
Price @ 27th Nov 2025 (RM)	1.09
Expected share price return (%)	+19.3
Expected dividend yield (%)	+1.9
Expected total return (%)	+21.2

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-7.6	-11.3
3months	-7.6	-16.8
12 months	-55.7	-61.1

INVESTMENT STATISTICS

FYE Dec	2025E	2026F	2027F
Revenue	2,064	2,298	2,459
Operating Profit	193	222	316
Profit Before Tax	183	212	306
Core PATAMI	123	132	166
Core EPS	5.3	5.7	7.0
DPS	2.3	2.4	2.5
Dividend Yield	1.8	1.9	1.9

KEY STATISTICS

FBM KLCI	1,617.46
Issue shares (m)	2,528.40
Estimated free float (%)	42.55
Market Capitalisation (RM'm)	2,557.87
52-wk price range	RM1.06 – RM2.87
3-mth average daily volume (m)	4.89
3-mth average daily value (RM'm)	14.0
Top Shareholders (%)	
Kossan Holdings M Sdn Bhd	34.91
Aberdeen Group Plc	5.69
Employees Provident Fund	5.58

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KOSSAN'S 3QFY25 FINANCIAL RESULTS

	Quarterly Results					Cumulative Results		
FYE Aug (RM mil)	**3Q24**	**2Q25**	**3Q25**	**QoQ%**	**YoY%**	**9M24**	**9M25**	**YoY%**
Revenue	507.4	382.2	439.0	14.9	-13.5	1388.9	1308.5	-5.8
Operating Expenses	-486.1	-358.4	-407.7	13.8	-16.1	-1324.5	-1220.6	-7.8
Operating Profit/Loss	**21.3**	**23.8**	**31.2**	31.3	46.5	**64.5**	**88.0**	36.5
Other Operating Income	18.8	14.7	13.8	-6.0	-26.5	55.4	43.5	-21.4
EBIT	**40.2**	**38.5**	**45.1**	17.0	12.3	**119.8**	**131.5**	9.7
Finance Cost	-0.4	0.0	-0.1	121.1	-79.6	-0.6	-0.8	38.9
PBT	39.7	38.5	45.0	16.9	13.2	119.3	130.7	9.6
Taxation	**-9.7**	**-7.1**	**-6.8**	-4.6	-30.3	**-25.1**	**-25.0**	-0.1
PAT	**30.1**	**31.4**	**38.3**	21.8	27.3	**94.2**	**105.7**	12.1
Minority Interest	0.6	0.3	0.4	64.5	-31.9	1.9	1.1	-45.1
PATAMI	**29.4**	**31.2**	**37.8**	21.4	28.5	**92.3**	**104.6**	13.3
Exceptional Items	7.7	6.3	5.6	-11.3	-28.1	18.6	16.6	-10.8
Core PATAMI ex-EI	**21.7**	**24.9**	**32.3**	29.7	48.7	**73.7**	**88.0**	19.4
EPS Basic (sen)	1.2	1.2	1.5	22.0	30.4	3.6	4.1	14.4
EPS Core (sen)	0.9	1.0	1.3	30.1	50.1	2.9	3.5	20.5
DPS (sen)	0.1	0.0	2.0	nm	2400.0	0.1	2.0	2400.0
				+/(-)ppts	*+/(-)ppts*			*+/(-)ppts*
EBIT margin %	7.9	10.1	10.3	0.2	2.4	8.6	10.0	1.4
PBT margin %	-1.9	-1.9	-1.5	0.3	0.4	-1.8	-1.9	-0.1
PATAMI margin %	5.8	8.2	8.6	0.5	2.8	6.6	8.0	1.3
Core PATAMI margin %	4.3	6.5	7.3	0.8	3.1	5.3	6.7	1.4
SEGMENTAL	**3Q24**	**2Q25**	**3Q25**	**QoQ%**	**YoY%**	**9M24**	**9M25**	**YoY%**
Revenue:								
Technical Rubber	61.9	43.6	53.4	22.4	-13.8	160.8	142.8	-11.2
Gloves	411.8	315.1	359.4	14.1	-12.7	1144.4	1090.2	-4.7
Clean-Room	33.7	23.4	26.1	11.6	-22.5	83.7	75.5	-9.8
PBT:								
Technical Rubber	5.4	3.4	4.2	24.8	-21.6	24.8	12.5	-49.6
Gloves	30.0	30.8	36.5	18.4	21.8	78.6	104.6	33.1
Clean-Room	2.0	2.9	3.5	20.2	77.1	6.9	9.8	43.3

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025E	2026F	2027F	2028F
Revenue	1,907	2,064	2,298	2,459	2,539
EBIT	159	193	222	316	342
PBT	158	183	212	306	332
Taxation	-36	-43	-64	-124	-134
PAT	122	140	148	182	198
MI	2	3	3	3	3
PATAMI	120	136	145	179	195
Core PATAMI	97	123	132	166	183
EPS (sen)	4.7	5.3	5.7	7.0	7.6
PER (x)	34.0	26.8	25.1	19.9	18.1
DPS (sen)	0.1	2.3	2.4	2.5	2.7
Dividend yield (%)	0.0	1.8	1.9	1.9	2.1

Cash Flow (RM'm)	2024A	2025E	2026F	2027F	2028F
PBT	158	183	212	306	332
Depreciation	107	89	87	97	105
OP pre-WC changes	204	147	153	160	162
Change in NWC	-79	88	83	82	82
Operating cash flow	**-178**	**59**	**70**	**78**	**80**
Capital expenditure	-15	-74	-111	-130	-145
Investing cash flow	**-169**	**-116**	**-157**	**-180**	**-199**
Debt raised/(repaid)	49	5	5	5	5
Dividends paid	1	-9	-8	-7	-5
Financing cash flow	**50**	**-4**	**-3**	**-2**	**0**
Net cash flow	**-297**	**10**	**-8**	**72**	**83**
Beginning cash flow	**1,271**	**974**	**985**	**977**	**1,050**
Ending cash flow	**974**	**985**	**977**	**1,050**	**1,134**

Growth (%)	2024A	2025E	2026F	2027F	2028F
Revenue growth	11.4	8.2	11.4	7.0	3.3
PBT growth	-96.5	15.9	15.7	44.4	8.5
PATAMI growth	-93.0	13.5	6.0	23.5	9.0
Core PATAMI growth	-64.4	26.6	6.9	26.2	9.9

Profitability Ratios (%)	2024A	2025E	2026F	2027F	2028F
EBIT margin	8.4	9.3	9.6	12.8	13.5
PBT margin	8.3	8.9	9.2	12.5	13.1
PATAMI margin	6.3	6.6	6.3	7.3	7.7
Core PATAMI margin	5.1	6.0	5.7	6.8	7.2
ROA	2.4	2.9	3.1	3.8	4.1
ROE	2.6	3.2	3.4	4.2	4.5

Balance Sheet (RM'm)	2024A	2025E	2026F	2027F	2028F
PPE	1,489	1,581	1,596	1,571	1,539
ROU assets	85	70	64	66	70
Non-current assets	**1,609**	**1,686**	**1,694**	**1,672**	**1,643**
Trade receivables	352	371	386	399	409
Cash & bank balances	974	985	977	1,050	1,134
Current assets	**2,481**	**2,526**	**2,578**	**2,679**	**2,789**
Long-term debt	0	0	0	0	0
Non-current liabilities	**121**	**118**	**118**	**120**	**123**
Short-term debt	20	6	6	6	7
Trade payables	204	228	244	254	263
Current liabilities	**294**	**240**	**255**	**266**	**275**
Share capital	324	324	324	324	324
Reserves	3,322	3,503	3,549	3,615	3,684
Equity	**3,676**	**3,853**	**3,899**	**3,965**	**4,034**

Liquidity Ratios (x)	2024A	2025E	2026F	2027F	2028F
Current ratio	8.4	10.5	10.1	10.1	10.1
Quick ratio	-2.1	-2.6	-2.3	-2.5	-2.6

Leverage Ratios (x)	2024A	2025E	2026F	2027F	2028F
Debt-to-equity	0.1	0.1	0.1	0.1	0.1
Interest coverage	116.9	20.6	23.0	32.9	35.7

Efficiency Ratios (days)	2024A	2025E	2026F	2027F	2028F
Cash conversion cycle	60	59	56	54	53
DIO	-48	-50	-48	-48	-48
DSO	67	66	61	59	59
DPO	-41	-44	-42	-42	-43

Source: Bloomberg, MBSBR

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STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.
ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell	
☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology