Kossan Rubber Industries Berhad

(7153 | KRI MK) Main | Healthcare

SHARIAH Compliant

Corporate Update

Maintain BUY

Unchanged Target Price **RM1.37**

Healthy 1QFY26 Earnings on Improved Efficiencies

Maintain BUY. Kossan Rubber Industries (KRI)'s 1QFY26 earnings came in within our expectations at 24% and consensuses at 23%. We maintain our **BUY** call for KRI with an unchanged **target price of RM1.37**.

1QFY26 core PATAMI up +3%yoy. 1QFY26 revenue dropped to RM470m (-4%yoy). Conversely, 1QFY26 core PATAMI gained to RM32m (+3%yoy).

Lower material cost, improved efficiencies in Gloves and Clean room. Technical Rubber (TRP) segment's 1QFY26 revenue slipped to RM43m (-7%yoy). Likewise, 1QFY26 PBT lost to RM2m (-56%yoy). The lower earnings were attributed to higher production cost.

Gloves segment's 1QFY26 revenue dropped to RM401m (-4%yoy). This is due to the strengthening MYR against USD, mitigated by the higher sales volumes for gloves. Conversely, PBT added to RM40m (+11%yoy), attributed lower material cost and improved production efficiencies.

Clean-room segment's 1QFY26 revenue added to RM27m (+3%yoy), while its 1QFY26 PBT slipped to RM4m (-18%yoy).

Demand remains healthy amid supply chain challenges. Demand for healthcare and industrial gloves is expected to remain stable due to replenishment needs, despite the persistent global oversupply, as well as margin pressures from geopolitical risks and fluctuating raw material and energy cost. TRP segment is expected to face a rough FY26 due to high raw material costs driven by volatile crude oil prices. We noted that infrastructure demand is recovering, but automotive sector's demand remains pressured by cost and trade uncertainties.

Forward focus on digitalization, automation. KRI is expected to continue boosting its manufacturing efficiency by focusing on its automation, digitalization and cost optimisation in its operations. Additional focus would be given to its TRP segment in improving its entire operation. Moving forward, KRI is also expected to leverage on its strong ESG compliance track record to maintain competitiveness, as global glove buyers continue to prioritize sustainable sourcing.

No changes to earnings estimates. Considering that KRI's 1QFY26 results is within our expectations, we make no changes to our earnings forecast at this juncture. Thus, we maintain our **target price at RM1.37**, pegging on a PER of 25.7x to an EPS26 of 5.3sen.

All in all, we echo KRI's cautious optimism on its financial year ahead. While we expect the macroeconomic climate would remain within the gloves industry – namely the oversupply, the volatile oil prices and unfavorable currency movements – we also noted that the group would remain resilient by controlling what they could, including: (i) adapting factory automation, (ii) ensuring strict financial hedging against fluctuating currency translations, (ii) diversifying TRP products, and (iv) maintaining top-tier ESG compliance. These initiatives, coupled with a steady demand for glove products worldwide continues to give KRI a market advantage. Hence, we maintain our **BUY** call for KRI.

RETURN STATISTICS	
Price @ 21st May 2026 (RM)	1.20
Expected share price return (%)	+14.2
Expected dividend yield (%)	+5.3
Expected total return (%)	+19.5

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	11.9	10.0
3months	-18.2	+15.2
12 months	-30.4	-27.5

INVESTMENT STATISTICS

FYE Dec	2026E	2027F	2028F
Revenue	1,860	1,955	2,031
Operating Profit	197	236	261
Profit Before Tax	184	220	244
Core PATAMI	135	169	189
Core EPS	5.5	6.9	7.6
DPS	2.2	2.4	2.5
Dividend Yield	5.3	6.7	7.4

KEY STATISTICS	
FBM KLCI	1,708.36
Issue shares (m)	2557.87
Estimated free float (%)	47.70
Market Capitalisation (RM'm)	3,069.4
52-wk price range	RM0.94–RM1.74
3-mth average daily volume (m)	4.11
3-mth average daily value (RM'm)	4.93
Top Shareholders (%)	
Kossan Holdings M Sdn Bhd	35.4
Employees Provident Fund Board	5.9
Aberdeen Group PLC	5.7

Analyst
MBSB Research
research@mbsb.com
03-2173 8394

KOSSAN'S 4QFY25 FINANCIAL RESULTS

	Quarterly Results					Cumulative Results		
FYE Aug (RM mil)	**1Q25**	**4Q25**	**1Q26**	**QoQ%**	**YoY%**	**3M25**	**3M26**	**YoY%**
Revenue	487.4	439.5	470.4	7.0	-3.5	487.4	470.4	-3.5
Operating Expenses	-454.4	-408.1	-436.4	6.9	-4.0	-454.4	-436.4	-4.0
Operating Profit/Loss	**32.9**	**31.4**	**33.9**	8.0	3.0	**32.9**	**33.9**	3.0
Other Operating Income	14.9	13.6	12.4	-8.8	-17.0	14.9	12.4	-17.0
EBIT	**47.9**	**45.0**	**46.3**	2.9	-3.3	**47.9**	**46.3**	-3.3
Finance Cost	-0.6	-0.6	-0.1	-86.8	-87.1	-0.6	-0.1	-87.1
PBT	47.2	44.4	46.2	4.2	-2.1	47.2	46.2	-2.1
Taxation	**-11.2**	**2.5**	**-6.5**	-356.7	-42.4	**-11.2**	**-6.5**	-42.4
PAT	**36.0**	**46.9**	**39.8**	-15.2	10.4	**36.0**	**39.8**	10.4
Minority Interest	0.4	0.2	0.2	15.0	-34.2	0.4	0.2	-34.2
PATAMI	**35.7**	**46.7**	**39.5**	-15.3	10.9	**35.7**	**39.5**	10.9
Exceptional Items	4.8	4.6	7.7	69.9	62.3	4.8	7.7	62.3
Core PATAMI ex-EI	**30.9**	**42.1**	**31.8**	-24.5	2.9	**30.9**	**31.8**	2.9
EPS Basic (sen)	1.4	1.9	1.6	-15.7	11.4	1.4	1.6	11.4
EPS Core (sen)	1.2	1.7	1.2	-25.0	3.0	1.2	1.2	3.0
DPS (sen)	0.0	0.0	0.0	nm	nm	0.0	0.0	nm
				+/(-)ppts	*+/(-)ppts*			*+/(-)ppts*
EBIT margin %	9.8	10.2	9.8	-0.4	0.0	9.8	9.8	0.0
PBT margin %	-2.3	0.6	-1.4	-1.9	0.9	-2.3	-1.4	0.9
PATAMI margin %	7.3	10.6	8.4	-2.2	1.1	7.3	8.4	1.1
Core PATAMI margin %	6.3	9.6	6.8	-2.8	0.4	6.3	6.8	0.4
SEGMENTAL	**4Q24**	**3Q25**	**4Q25**	**QoQ%**	**YoY%**	**FY24**	**FY25**	**YoY%**
Revenue:								
Technical Rubber	45.7	45.1	42.8	-5.1	-6.5	45.7	42.8	-6.5
Gloves	415.7	367.7	400.9	9.0	-3.6	415.7	400.9	-3.6
Clean-Room	26.0	26.7	26.7	-0.1	2.8	26.0	26.7	2.8
PBT:								
Technical Rubber	4.9	3.7	2.2	-42.0	-55.7	4.9	2.2	-55.7
Gloves	36.3	37.7	40.1	6.4	10.5	36.3	40.1	10.5
Clean-Room	4.4	2.6	3.6	37.9	-18.4	4.4	3.6	-18.4

Source: Company, MBSBR

FINANCIAL SUMMARY

Profit or Loss (RM'm)	2024A	2025A	2026E	2027F	2028F
Revenue	1,916	1,748	1,860	1,955	2,031
EBIT	159	176	197	236	261
PBT	157	175	184	220	244
Taxation	-37	-23	-41	-43	-46
PAT	121	153	143	177	197
MI	2	1	3	2	3
PATAMI	118	151	140	175	194
Core PATAMI	96	130	135	169	189
EPS (sen)	4.7	6.0	5.6	6.9	7.7
PER (x)	85.4	20.4	28.1	22.4	20.1
DPS (sen)	0.1	2.0	2.2	2.4	2.5
Dividend yield (%)	3.7	5.1	5.3	6.7	7.5

Cash Flow (RM'm)	2024A	2025A	2026E	2027F	2028F
PBT	157	175	184	220	244
Depreciation	107	100	100	102	104
OP pre-WC changes	206	147	153	160	162
Change in NWC	-87	88	83	82	82
Operating cash flow	**-187**	**59**	**70**	**78**	**80**
Capital expenditure	-107	-100	-134	-149	-156
Investing cash flow	**-150**	**-286**	**-177**	**-196**	**-207**
Debt raised/(repaid)	49	-41	5	5	5
Dividends paid	-4	-2	-8	-7	-5
Financing cash flow	**45**	**-78**	**-3**	**-2**	**0**
Net cash flow	**-292**	**-54**	**-23**	**0**	**6**
Beginning cash flow	**1,271**	**980**	**925**	**903**	**903**
Ending cash flow	**976**	**922**	**903**	**903**	**910**

Growth (%)	2024A	2025A	2026E	2027F	2028F
Revenue growth	11.4	-8.8	6.4	5.1	3.9
PBT growth	-96.5	11.3	4.9	20.0	10.6
PATAMI growth	-93.0	27.9	-7.2	24.4	11.3
Core PATAMI growth	-64.4	36.1	3.6	25.5	11.7

Profitability Ratios (%)	2024A	2025A	2026E	2027F	2028F
EBIT margin	8.3	10.1	10.6	12.1	12.8
PBT margin	8.2	10.0	9.9	11.3	12.0
PATAMI margin	6.2	8.7	7.5	8.9	9.6
Core PATAMI margin	5.0	7.4	7.2	8.7	9.3
ROA	2.3	3.2	3.2	4.0	4.5
ROE	2.6	3.5	3.5	4.4	4.9

Balance Sheet (RM'm)	2024A	2025A	2026E	2027F	2028F
PPE	1,492	1,704	1,670	1,670	1,623
ROU assets	82	96	68	71	75
Non-current assets	**1,608**	**1,831**	**1,769**	**1,772**	**1,729**
Trade receivables	347	232	300	335	353
Cash & bank balances	976	922	903	903	910
Current assets	**2,498**	**2,259**	**2,404**	**2,447**	**2,477**
Long-term debt	0	0	0	0	0
Non-current liabilities	**134**	**130**	**122**	**123**	**126**
Short-term debt	4	19	5	6	6
Trade payables	231	193	224	241	253
Current liabilities	**305**	**230**	**234**	**252**	**264**
Share capital	324	324	324	324	324
Reserves	3,321	3,384	3,465	3,494	3,468
Equity	**3,667**	**3,730**	**3,817**	**3,844**	**3,816**

Liquidity Ratios (x)	2024A	2025A	2026E	2027F	2028F
Current ratio	8.2	9.8	10.3	9.7	9.4
Quick ratio	-2.1	-3.0	-2.6	-2.3	-2.1

Leverage Ratios (x)	2024A	2025A	2026E	2027F	2028F
Debt-to-equity	0.1	0.1	0.1	0.1	0.1
Interest coverage	-80.9	-126.8	-14.6	-15.2	-15.3

Efficiency Ratios (days)	2024A	2025A	2026E	2027F	2028F
Cash conversion cycle	63	33	-74	53	54
DIO	-48	-59	-58	-58	-58
DSO	66	48	-63	62	63
DPO	-45	-43	-47	-48	-49

Source: Bloomberg, MBSBR

MBSB RESEARCH (formerly known as MIDF RESEARCH) is part of MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) 197501002077 (24878-X).

(Bank Pelaburan) (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report is prepared by MBSB Investment Bank Berhad (formerly known as MIDF Amanah Investment Bank Berhad) (Company Registration No.: 197501002077 (23878-X)) and is for distribution only to the intended readers and under such circumstances as may be permitted by applicable law. Readers should be fully aware that this report is provided solely for informational purposes and does not constitute a Shariah advice nor constitute an investment recommendation or basis for any credit or other evaluation in any manner whatsoever.

The opinions and analyses contained in this report are based on information obtained or derived from sources that MBSB Investment Bank Berhad believes to be reliable. Any forward-looking statements in this report speak only as of the date of such statements. However, MBSB Investment Bank Berhad makes no representation or warranty, expressed or implied, as to the accuracy, completeness, or reliability of such information, and it should not be relied upon as such.

While the information presented in this report may include references to Shariah -compliant and non-compliant securities or other financial instruments, this report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments or to promote or endorse any specific investment. Investors are strongly advised to conduct their own due diligence and to consult licensed Shariah or financial advisors before making any investment decisions. Any action taken based on this report is at the sole discretion and risk of the investor.

The analyses in this report are based on numerous assumptions, and different assumptions could yield different results. All opinions and estimates in this report are subject to change without notice.

The research analysts will initiate, update, and cease coverage solely at the discretion of MBSB Investment Bank Berhad.

The directors, employees, and representatives of MBSB Investment Bank Berhad and MBSB Berhad may have interests in any of the securities mentioned and may benefit from the information contained herein. Members of MBSB Berhad and their affiliates may provide services to any company or its affiliates whose securities are mentioned in this report.

This report shall not be reproduced, distributed, or published in any form or for any purpose without the prior written consent of MBSB Investment Bank Berhad.

MBSB INVESTMENT BANK (formerly known MIDF INVESTMENT BANK): GUIDE TO RECOMMENDATIONS

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