

Sep 05, 2016 | Written by PublicInvest Research | 0



This article first appeared in *The Edge Financial Daily*, on September 5, 2016.

### **Kossan Rubber Industries Bhd**

**(Sept 2, RM6.60)**

**Reaffirm outperform with an unchanged target price of RM8.50:** Kossan Rubber Industries Bhd officially launched its new patented Low Derma Technology yesterday.

Low Derma Technology was innovated by Kossan through extensive research on its manufacturing process and chemical components.

The group spent about RM2 million capital expenditure on its research and development and patent. The new technology is a non-sulphur vulcanisation formulation which replaces the sulphur and accelerators used in the conventional process of natural rubber and nitrile rubber latex gloves, to other unsaturated carboxylic acids.

Its Low Derma Technology product, branded CHEMAX® 7th Sense®, is certified by the US Food and Drug Administration.

To receive this certification, the product was tested using a Modified Human Draize Test with sample size of 200 non-sensitised adults.

The results were favourable, showing low potential of chemical allergy containing low levels of chemical accelerator residue. With this new glove feature, we are optimistic on Kossan's growth prospects going forward with new differentiation of its products.

Type IV allergy is mainly caused by residual accelerators.

It is a type of delayed hypersensitivity, as the reaction takes between 6 to 48 hours to develop.

Contact dermatitis is one of the type IV hypersensitivities resulting in symptoms such as redness, small blisters, crusty and scale appearance.

According to the Finnish Institute of Occupational Health, the most common cause of occupational allergic contact dermatitis is caused by rubber chemicals.

Other trends show that 90% of glove-related allergic reactions are due to chemical accelerators used in the manufacture of gloves. — PublicInvest Research, Sept 2

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### Kossan Rubber Industries Bhd

FYE DEC (RM MIL)	2014A	2015A	2016F	2017F	2018F	CAGR(%)
Revenue	1,301.7	1,639.5	1,710.4	1,771.5	2,232.9	14.4
Gross profit	615.9	779.6	764.9	792.2	999.7	12.9
Pre-tax profit	186.7	268.6	276.0	293.0	387.3	20.0
Net profit	145.6	202.5	217.8	231.2	305.6	20.4
EPS (sen)	22.8	31.7	34.1	36.2	47.8	20.4
PER (x)	27.4	19.7	18.3	17.3	13.1	-
DPS (sen)	8.0	12.0	17.0	18.1	23.9	-
Dividend yield (%)	1.3	1.9	2.7	2.9	3.8	-

Source: Company, PublicInvestResearch estimates

**Video Priority:** Neutral

**Source URL:** <http://www.theedgemarkets.com/my/article/kossan-begins-low-derma-tech-operations>

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