

MANAGEMENT DISCUSSION AND ANALYSIS

Dear Valued Stakeholders,

On behalf of the Board of Directors (“**the Board**”) of Wellcall Holdings Berhad (“**the Company**”), we are pleased to present the Management Discussion and Analysis of the Company and its subsidiary company (“**Wellcall**” or “**the Group**”) for the financial year ended 30 September 2024 (“**FYE 2024**”) where we achieved a favourable financial performance record of revenue and profit after tax at RM209 million and RM47 million respectively.

The following management discussion and analysis of the operating performance and financial condition of the Group for the twelve (12) months ended 30 September 2024 should be read in conjunction with the Audited Financial Statements (“**AFS**”) for the FYE 2024 and related notes thereto.

OVERVIEW

Another challenging year ahead for FYE 2024, driven by the factors such as inflation pressures, market-related issues, supply chain disruptions, climate changes and fluctuation of foreign currency. In response, the Group will continue to be cautious and responsive to market needs, focus on prudent procurement strategies and inventory management to optimise cost and enhance operational efficiency. Despite these challenges, the Group remains positive in its position as a prominent global market player.

FINANCIAL PERFORMANCE REVIEW

Review on Statements of Comprehensive Income

(a) Revenue

The Group recorded revenue of RM209 million for FYE 2024 compared to revenue of RM217 million recorded for the financial year ended 30 September 2023 (“**FYE 2023**”) respectively, representing a decrease of RM8 million or 4%.

The export and local market contributed approximately 91% and 9% respectively to the Group’s annual revenue. The export market experienced a decrease of 5%, while the local market registered an increase of 13% as compared to the preceding financial year.

The decrease in revenue were mainly due to softening of demand in low and medium pressure industrial rubber hose in the global market.

(b) Profit Before Taxation (“**PBT**”)

The Group achieved lower PBT of RM64 million for FYE 2024 compared to PBT of RM74 million recorded in FYE 2023, representing RM10 million decrease or approximately 14%.

The decrease in PBT was mainly due to higher unrealised loss on foreign exchange translation arising from appreciation of Ringgit Malaysia resulting from volatility of foreign exchange sentiment.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL PERFORMANCE REVIEW (CONT'D)

Review on Statements of Comprehensive Income (Cont'd)

(c) Non-Financial Performance

The Group understands the significance of non-financial performance measurement in establishing a connection between strategies and daily tasks. The following are non-financial performance measurements for the Group:-

(i) Customer Retention

We maintained over 95% customer retention as our marketing team performed data analytics to predict customers' purchasing behaviour. In addition, we also regularly communicated with existing and inactive customers to address any concerns in a timely manner.

(ii) Customer Satisfaction

Our products are customised based on customers' required specifications, such as diameter, colour, working pressure, length and temperature resistance level. Furthermore, we offer flexibility in quantity and product type, accepting low quantity-high mix orders. This sets us apart from larger players who are unwilling to accept small orders.

(iii) On Time Delivery

With a short delivery lead time of thirty (30) to forty-five (45) days, the Group ensures that we can handle urgent orders with a two (2) weeks' notice. This essential service reduces our customers' stock holding and cashflow requirements. Additionally, we are less affected by logistical disruptions, allowing us to deliver most customer orders promptly and maintain long-lasting relationship.

Review on Statements of Financial Position

(i) Total Assets

The Group's total assets stood at RM175 million for both FYE 2024 and FYE 2023, the fairly constant of the total assets indicated that the company's financial stability, reflecting the ability of the company in maintaining its steady position.

(ii) Total Liabilities

Total liabilities have decrease from RM35 million for FYE 2023 to RM32 million for FYE 2024, the decline was primarily driven by a reduction in other payables and accruals, coupled with lower tax liability which was resulted from declined in profit before tax for FYE 2024 compared to FYE 2023.

(iii) Loan & Borrowing

The Group did not have any short-term and long-term borrowings during the financial year under review.

(iv) Net Assets Per Share & Basic Earnings Per Share

The Group maintains a strong financial position, with net assets per share of 28.74 sen for FYE 2024 (FYE 2023: 28.12 sen per share). Basic earnings per share for FYE 2024 was 9.42 sen per share as compared to 11.10 sen per share in FYE 2023.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL PERFORMANCE REVIEW (CONT'D)

Review on Statements of Cash Flow

(i) Operating Activities

The Group recorded a net cash flow from operating activities of RM52 million for FYE 2024, reflecting a 6% decrease. This modest decrease was mainly due to lower revenue recorded resulted in lower profit before tax for FYE 2024 as compared with FYE 2023.

(ii) Investing Activities

Net cash flow used in investing activities amounted to RM8 million for FYE 2024 as compared to RM3 million for FYE 2023. Investing activities mainly consisted of capital expenditures on property, plant and equipment, along with investment in capital work-in-progress.

(iii) Financing Activities

The Group's net cash used in financing activities amounted to RM44 million for FYE 2024 compared to RM40 million for FYE 2023. The difference was primarily due to higher dividends paid out during the financial year under review.

Capital Expenditure

The Group incurred capital expenditures of RM8.5 million on property, plant and equipment, mainly for the maintenance and upgrading of existing production lines to enhance operational efficiency. Additionally, the Group incurred another RM5.5 million as capital work-in-progress.

RISK RELATING TO OUR BUSINESS

Business Risk

General business risks, as well as risks inherent in the manufacturing industry are vital to the Group. For example, the Group may be affected by a general downturn in the global, regional and/ or national economy, constraints in labour supply, shortage and the rising cost of raw materials, changes in the law and tax legislation affecting the industry, increased operational costs, fluctuations in foreign exchange rates and changes in business and credit condition.

Although the Group seeks to manage these risks through maintaining good business relationships with customers and suppliers, enhancing efficiency and implementing cost control measures, no assurance can be given that a change in any of the abovementioned factors will not have an adverse effect on the Group's business.

Credit Risk

The Group's credit risk exposure mainly arises from the trade receivables. However, the Group does not make any material allowance pertaining to the impairment of trade receivables as long as sound and effective credit control is in place. Our valued customers pay in accordance with the respective credit term granted, which forms greater support and cooperation from our valued customers. Nevertheless, the Group continues to evaluate the creditability and credit procedures periodically in order to mitigate the credit risk.

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

RISK RELATING TO OUR BUSINESS (CONT'D)

Cost Fluctuation of Raw Materials

The cost fluctuation of raw materials is crucial to the Group's performance as it affects the cost of sales and gross profit margin. The volatility of raw material costs arising from the global demand and supply mechanism, as well as currency fluctuations, has affected our pricing strategy and operating cost. However, the Group is still able to minimize and manage the impact of raw material sentiment by maintaining a gross profit margin range above 30% margin.

In order to secure the supply of key raw materials, our procurement team continues to maintain close communication with the key raw materials suppliers and regularly monitors the cost fluctuation of raw materials. Meanwhile, we also maintain a buffer inventory of raw materials which can serve our production for up to three (3) months to avoid interruption in production.

INDUSTRY TREND, DEVELOPMENT AND PROSPECT

The Group acknowledges the importance of operational efficiency and will continue to effectively manage operating costs. Furthermore, the Group remains competitive in the industrial rubber hoses industry by maintaining its market positioning and price competitiveness, while focusing on volume growth.

Despite unforeseen circumstances and any significant changes in the industrial rubber hose market, the Group will remain committed to deliver high quality products to existing customers, proactively securing orders from new customers and monitoring prevailing market conditions to adopt appropriate strategies to mitigate risks and achieve sustainable growth for the Group.

DIVIDEND POLICY

The Group has consistently paid out dividends over the previous financial years and has exceeded its dividend pay-out ratio over the past six (6) financial years. The Company's policy is to maintain a dividend pay-out ratio of at least fifty percent (50%) of its net profit per year. The Group ensures that it meets the provisions of the Companies Act, 2016 and satisfies the solvency test as well as the profit availability test prior to recommending a dividend declaration for approval.

APPRECIATION

On behalf of the Board of Directors, we would like to take this opportunity to convey our deepest appreciation to our valued stakeholders for their precious contributions, dedication and continuation of trust and support during the financial year. Our appreciation is also extended to our management and employees for their commitment, dedication, contribution and professionalism towards the performance of the Group. Finally, we would also like to thank our Board of Directors for their valuable advice, guidance and support rendered to the Group.

HUANG SHA, P.M.P.
Group Managing Director