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Issuer: Nippecraft Limited

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Meeting details:

Date: 28 Apr 2025

Time: 10.00 a.m.

Venue: Function Room 3-2, Level 3, ISCA House, 60 Cecil Street, Singapore 049709

Q1. In the pulp and related trading segment, revenue declined to US\$91.0 million in FY2024 from US\$96.8 million in the prior year. Segment profit remained marginal at US\$57,000 in FY2024 (2023: US\$60,000), implying net margins of approximately 0.06%.

- (i) **What are the key drivers of profitability in the pulp trading segment, and how does the group assess the segment's strategic value beyond revenue contribution?**
- (ii) **Given the extremely thin margins, has the board conducted a downside risk assessment of this trading activity? In particular, how does the board weigh the risk of outsized losses stemming from events such as maritime disruptions, product quality issues or counterparty defaults—especially when the typical annual segment profit is only US\$60,000?**
- (iii) **What are the reasons for the changes in customer profile?** For instance, the group traded significantly with customers in Continental Europe in 2024 and no longer with customers in Malaysia, Indonesia, as well as substantially reducing the volume with Hong Kong customers.
- (iv) **In view of the persistently low profitability, has the board evaluated whether the segment continues to serve the long-term interests of shareholders? Would it be more prudent to redeploy working capital and management bandwidth into higher-yielding business areas?**

Q2. The group owns the stationery core brands, Collins and Debden. Collins has a strong heritage dating back to the early 1800s in the United Kingdom, while Debden¹ was launched in Australia and New Zealand in 1978. In 2021, the group introduced a new brand, Jumble & Co, and began offering lifestyle products focused on promoting mental wellness in 2022.

Revenue from stationery products over the past six years has remained relatively stable:

- 2019: US\$15.77 million
- 2020: US\$14.74 million
- 2021: US\$16.02 million
- 2022: US\$15.21 million
- 2023: US\$14.75 million
- 2024: US\$14.33 million

- (i) **While management has maintained a steady top line, how confident is the board that long-term demand for traditional stationery products will remain sustainable amid rising digital adoption and evolving consumer habits?**
- (ii) **What are the major growth opportunities identified by management for the stationery segment? Is there a clear product innovation or market expansion roadmap in place?**
- (iii) **Has Jumble & Co. met internal targets in terms of brand recognition, sales traction, and profitability? What is its contribution to revenue and segment profit in FY2024?**

As noted in the chairman's message, the margin for stationery business climbed from 46.4% to 52.4%.

- (iv) **What were the main drivers of the improved gross margin in the stationery segment?**

The group recorded inventory write-downs of US\$586,000 in FY2024 and US\$686,000 in FY2023—both figures exceed the reported stationery segment profit which was US\$268,000 and US\$141,000 respectively.

- (v) **How is the board addressing inventory management and forecasting accuracy in light of the disproportionate write-downs relative to segment profit?**

¹ The brand is named after the old Debden Road in Singapore, which is now part of the Changi International Airport.

Across its digital platforms, all three brands have relatively low social media followings and engagement. For example, *Jumble & Co* Australia has only 42 Instagram followers. Collins Debden have about 3,000 Instagram followers.

- (vi) **How does management assess the group's digital and social media presence in supporting its consumer brands?**

Q3. As disclosed in the annual report, the group began FY2024 with US\$15.4 million in cash and cash equivalents and ended the year with US\$13.7 million. Interest income totalled US\$211,000, implying a yield of approximately 1.45% on the average cash balance of US\$14.55 million.

Only US\$4 million was placed in fixed deposits (earning 1%) with the rest held as bank balances and cash.

- (i) **What is the group's current cash management framework and how often is it reviewed by the board?**

If the group were to cease operations and invest its cash reserves in stable, investment-grade instruments yielding 3% to 3.5%, it would generate risk-free interest income of approximately \$436,500 to \$509,250 annually. This contrasts with the risks associated with its current operations in trading and stationery sales.

- (ii) **In the absence of near-term accretive investments, would the board consider returning capital to shareholders to allow them to make their own capital allocation decisions?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

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