Heap Wah Barakah Sdn Bhd

Turning the Valve on Growth

Private Market
Industrial products & services

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Summary

Heap Wah Barakah Sdn. Bhd. ("HWB" or "the Group") is a Malaysian distributor and fabricator of piping, plumbing and water-works products, spanning HDPE, PVC and ductile-iron pipes, valves, fittings and butt-fusion/electrofusion equipment serving water authorities, contractors and property developers across Peninsular Malaysia.

Investment Thesis

Direct Exposure to the Malaysian Water-Infrastructure Replacement Cycle. Under Budget 2026, the federal government allocated RM3bn to national non-revenue-water (NRW) reduction, targeting the replacement of over 820km of ageing pipes across multiple states, while Air Selangor alone is running a RM542.8mn pipe-replacement programme that has doubled its annual target to 300km since 2024. The completed project list of HWB points to direct participation in this cycle, positioning it as a beneficiary of a multi-year, budget-backed replacement programme rather than a purely cyclical construction supplier. Crucially, HWB is not a pass-through distributor of commodity products: its wide range and in-house brands, most notably the FUIS HDPE systems widely specified for network piping, allow it to serve a broader customer base at better margins rather than rely on any single niche. Beyond the water authorities, it has also established a foothold across residential, commercial and data-centre projects.

Technology Upgrade Cycle Tied to National NRW Targets. The 13th Malaysia Plan (13MP) extends the same NRW push across the medium term: the federal government has allocated RM1.7bn to replace about 1,800km of ageing water pipes between 2026 and 2030, targeting asbestos-cement (AC) and other end-of-life pipelines to lower the national NRW rate. We see this as a clear positive for the Group, as the resulting tender pipeline opens two complementary routes: tendering directly to the government against a tenderbook of about RM100mn using its trenchless ductile-iron pipe-laying technology under the Saint-Gobain PAM brand, or partnering with local contractors to bid while supplying the pipe itself. Already established in Malaysia within telecommunications but not yet adopted in the water-network sector, the trenchless approach carries lower social cost, through minimal traffic disruption and environmental impact, which makes it well-suited to high-density urban areas. It also lowers direct and indirect costs across materials, labour and distribution relative to traditional open-cut methods. Management is constructive on conversion given the proven overseas track record of the technology, and we believe a successful award would drive a step-change in both margins and revenue.

Moving Up the Value Chain. Beyond commodity HDPE and PVC pipe, HWB has layered on a higher-margin portfolio: (i) an exclusive Malaysia distribution agreement for Duvalco valves, (ii) sole distributorship of Saint-Gobain PAM ductile-iron pipes and fittings, (iii) house brands FUIS (thermoplastic HDPE systems) and JK (valves and fittings), and (iv) custom HDPE fabrication using Rothenberger (Germany) and Fuerte (Turkey) electrofusion equipment. This richer mix has begun to show through, with gross margin expanding from 15.5% in FY2023A to 18.3% in FY2025A. The logic is straightforward: traditional trading yields lean net margins of only 3-5%, whereas pairing solutions such as equipment and fittings with core products fetches materially higher margins. By providing customers with better product plus solutions, management has proven it can lift margins, as shown in FY25. We view the diversification positively, as it reduces single-supplier dependency and broadens the addressable base across water-authority, residential, commercial and infrastructure segments, though we note that these higher-margin lines still sit alongside a sizeable base of commoditised, price-competitive pipe distribution.

Extending into Smart Water Management. To complement its hardware range, the Group is also stepping into an AI-enabled smart water management offering that pairs smart meters and IoT field devices with a connected data and analytics layer spanning SCADA, GIS and digital-twin capabilities. The proposition sits squarely within the national NRW agenda, targeting leak detection; District Metered Area (DMA) and night-flow analysis; pressure optimisation; and predictive maintenance across water-supply networks, sewerage and treatment assets. This project will be run through a joint venture with a local partner, sharing the RM100mn capex to start. We view this as a further step up the value chain: bundling smart-meter hardware with a recurring analytics solution should command materially richer margins than commodity product supply, while the phased, pilot-led approach keeps initial capital commitment measured. That said, the initiative is still early stage, likely to start only in 2027, and we would want a confirmed pilot or reference deployment before ascribing meaningful earnings to it.

Early-Stage Exposure to the Malaysian Data-Centre Build-Out. Between 2021 and June 2025, Malaysia approved roughly RM144.4bn across 143 data-centre projects (MITI), of which about 34 were operational by early 2026 and dozens more remain under construction, concentrated in Johor and the Klang Valley, including Cyberjaya and Elmina in HWBs home Selangor market and anchored by hyperscalers. Each facility is a substantial, recurring consumer of engineered cooling-water infrastructure, not a one-off construction client. Contribution stays insignificant for now at c.3% of FY25 revenue, spanning a handful of projects supplying piping and fittings for cooling-loop and fire-suppression works, but we view the exposure positively: data centres add an extra margin pool and incremental volume, and continued build-out should bring further contractor orders. The pull is reinforced by the water intensity of these facilities and by wider calls to repair leaking pipes and upgrade treatment plants across the ageing national water network.

Financial Overview

Heap Wah Barakah’s revenue grew from RM54.6mn in FY23 to RM74.0mn in FY25, a two-year CAGR of 16.4%. Management attributes the FY25 acceleration to an expanded product range, principally JK valves/fittings and the exclusive Duvalco agreement which drove a step-up in sales volume as these lines were cross-sold into the existing customer base.

Gross profit rose from RM8.4mn (FY2023A) to RM9.9mn (FY2024A) to RM13.5mn (FY2025A) as gross margin expanded from 15.5% to 17.2% to 18.3%, which management attributes to the higher-margin JK/Duvalco mix rather than selling prices or scale. FY25 net profit grew by 60% YoY, with net margin up 1.1ppt to 5.4% and tax rate eased to 15.3% vs 19.5% in FY24, which we read as better product mix and operational efficiency.

The current ratio eased from 3.1x in FY23 to 2.5x in FY25, and the quick ratio from 1.8x to 1.6x, both still comfortably above 1x throughout, but the FY2024A compression coincides with the dividend-driven cash drawdown noted above, when cash and bank balances fell to just RM247k (0.4% of total assets) before recovering to RM1.5mn in cash (plus RM2.2mn in bank deposits) by FY25. Notably, the dividend outflow was linked to the exit of PTT Synergy as a substantial shareholder ahead of the 2025 transition of the Group to independent, wholly-owned status, which explains the scale of the distribution relative to the RM2.5mn net profit that year (a 200.0% payout) as a one-off ownership-transition event rather than an ongoing dividend policy. The cash-conversion cycle shortened from 186 days (FY23) to 148 days (FY25) as inventory days fell from 156 to 109, partially offset by receivable days that lengthened from 115 to 133, a net improvement, though still a lengthy working-capital cycle for a distribution business, and one that leaves the Group reliant on continued trade-credit support from suppliers (payable days ran 85-119 over the period).

Net debt stood at RM6.5mn at FY25 (total borrowings of RM8.0mn less RM1.5mn cash) against equity of RM43.6mn, giving net gearing of 14.9%, down from 15.2% (FY24) and 18.0% (FY23). Finance costs rose 20.1% YoY to RM292k in FY25 (FY24: RM243k) as bankers acceptance drawdowns increased, but interest coverage remains ample at 17.3x (FY24: 13.8x; FY23: 11.2x). Leverage is not a near-term concern on these metrics, though the RM1.51mn “amount due to directors” that appeared in FY25, an advance from directors used partly to fund the RM3.19mn advance to the former holding company described below, introduces a related-party funding layer alongside conventional bank debt that we think warrants disclosure and scrutiny ahead of any listing.

Operating cash flow was negative RM539k in FY23, recovered strongly to RM7.64mn in FY24, and normalised to RM2.73mn in FY25 as working-capital movements (notably a RM1.73mn increase in trade receivables and a RM424k rise in other receivables) absorbed a larger share of operating profit; free cash flow was RM2.5mn in FY25A against RM7.6mn in FY24. Investing outflows widened to RM3.4mn in FY25, driven overwhelmingly by the RM3.2mn related-party advance to the former holding company rather than by capex, while financing activities swung from an outflow of RM8.3mn in FY24A (the RM5.0mn dividend plus net debt repayment) to an inflow of RM2.4mn in FY25A (a RM1.5mn advance from directors and higher net drawdown of bankers acceptances), leaving cash and cash equivalents at RM2.0mn at FY25 versus RM247k a year earlier.

Sensitivity Analysis

Based on FY25 financial performance
- Revenue: RM74.0mn
- Net profit: RM4.0mn (5.4% net margin)

Scenario	Revenue (RM'mn)	Gross Margin (%)	Gross Profit (RM 'mn)	Operating Expenses (RM 'mn)	Net Profit/(Loss) (RM 'mn)	Net Margin (%)	**Interest Coverage (x)**	Risk Interpretation
Bear (−25%)	55.5	18.3%	10.2	8.8	1.2	2.1%	5.7x	A sharp demand shock would still leave the Group profitable, but net margin would fall to about two-fifths of the FY2025A level.
Downside (−15%)	62.9	18.3%	11.5	8.8	2.3	3.7%	10.3x	A moderate tender-flow setback would clear break-even comfortably but erase most of the FY2025A margin gain.
Base (FY2025A)	74.0	18.3%	13.5	8.8	4.0	5.4%	17.2x	Reflects reported FY2025A performance.
Upside (+15%)	85.1	18.3%	15.6	8.8	5.7	6.7%	24.2x	Consistent with the technology-led project pipeline beginning to convert into revenue.
Bull (+25%)	92.5	18.3%	16.9	8.8	6.9	7.4%	28.8x	Would require the smart-water and trenchless initiatives to scale materially, achievable in our view only over multiple years.
Margin Compression (−5ppt)	74.0	13.3%	9.8	8.8	0.9	1.2%	4.6x	Shows how quickly a resin or ductile-iron cost shock, without pass-through, would compress the bottom line given largely fixed opex.
Margin Expansion (+5ppt)	74.0	23.3%	17.2	8.8	7.1	9.7%	29.9x	Achievable if higher-margin solutions and technology lines scale as a larger share of the revenue mix.
Opex Inflation (+15%)	74.0	18.3%	13.5	9.9	3.1	4.2%	13.4x	A wage or financing-linked cost shock would still leave the Group profitable but erode roughly a quarter of FY2025A net profit.
Opex Reduction (−10%)	74.0	18.3%	13.5	8.1	4.6	6.3%	19.8x	Demonstrates the operating-leverage upside available from cost discipline alone, without any revenue growth.
Interest +100bps	74.0	18.3%	13.5	8.9	3.9	5.3%	13.5x	Given modest leverage, a 100bps shock on gross borrowings adds about RM0.1mn to finance costs, a manageable drag rather than a solvency concern.

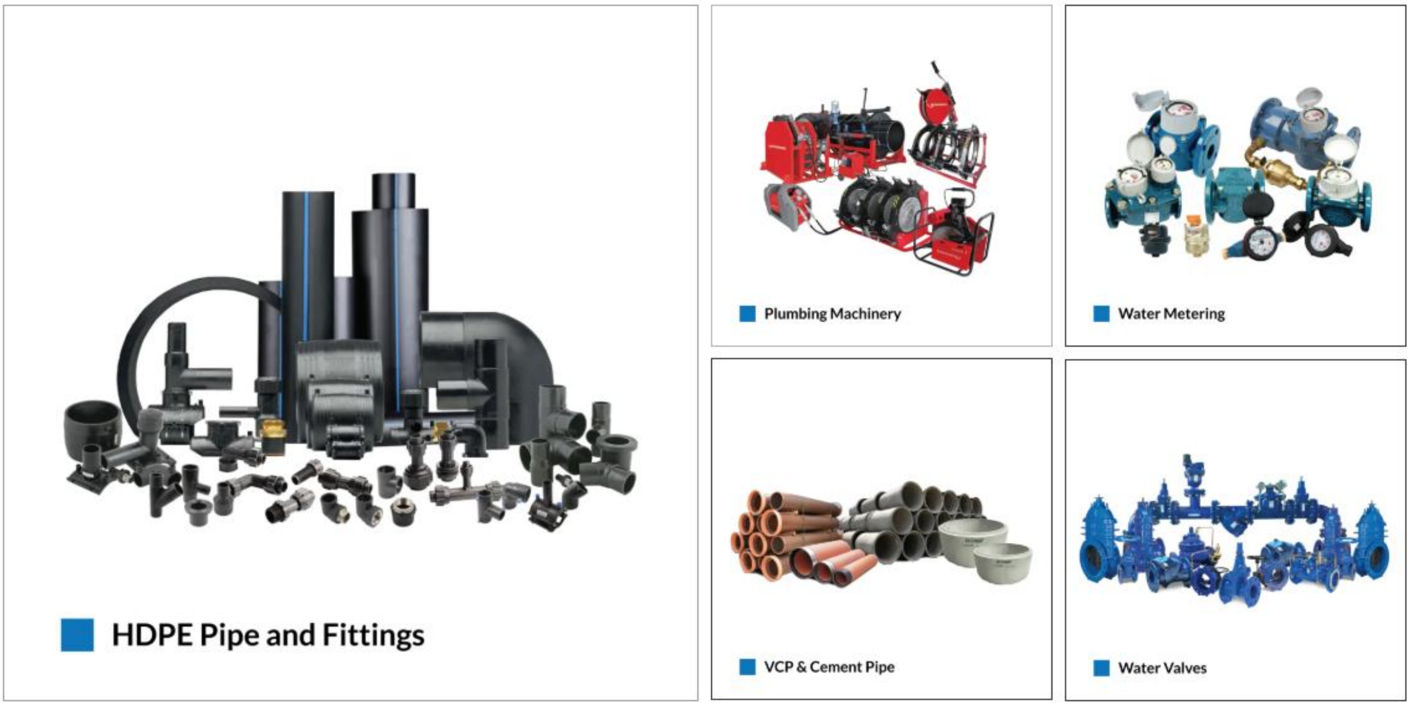
Company Overview

Heap Wah Barakah Sdn Bhd (Registration No. 198401009617 / 122161-A) was incorporated in Malaysia on 22 June 1984, though its operating history traces to 1978, when it began as a small piping and plumbing retail counter at the Old Klang Road junction in Kuala Lumpur. The Group's head office sits on Jalan 18/2, Petaling Jaya, Selangor, with a registered business address in Kota Kemuning, Shah Alam, and two further sites, a warehouse and logistics hub on Jalan Puchong, Kuala Lumpur (established 2000) and a retail store and main warehouse in Kawasan Perindustrian Bandar Baru Bangi (established 1998), supported by an in-house delivery fleet covering Peninsular Malaysia and third-party logistics partnerships for overseas orders.

Product offerings span house brands such as FUIS (thermoplastic HDPE piping systems), JK (valves and fittings), and Adda (PTFE thread seal tape) alongside exclusive Malaysian distributorships for international manufacturers including Saint-Gobain PAM (ductile iron pipe and fittings), Rothenberger (pipe tools and machines) and Fuerte Pro/Hamlem (electrofusion welding equipment), plus custom HDPE fabrication and electrofusion/butt-fusion jointing services for major infrastructure projects. The Group's completed-projects list spans water-authority packages for Air Selangor and Ranhill (Johor), residential and commercial developments for developers including Sunway, Mah Sing, IJM and UOA, the latter having drawn a delegation from the Maldives' Ministry of State for Construction and Infrastructure.

Heap Wah Barakah operated for more than two decades under a holding-company structure before regaining independent, wholly-owned status in 2025, marked internally by its first company-wide townhall session. The Group has completed ISO 9001 and ISO 37001 certification, and its Managing Director, Ellen Lum, was named Woman Entrepreneur of the Year for 2025 as the Group also placed in the Top 10 of the SME100 Fastest Growing SME Awards.

Figure 1: Product range



Source: Company website

Management Team

Name and Designation	Profile
Ellen Lum Pek Yoke **Managing Director**	Ms Lum has spent her entire career at Heap Wah Barakah, joining directly after her STPM and serving as a Director from October 1984 before assuming the Managing Director role in September 2017, giving her more than four decades in the trading of construction materials. She holds overall responsibility for the sales, operations and administration functions and sets the strategic direction of the company. She was recognised in 2025 under the SME 100 Award and the 100 Most Influential Young Entrepreneurs listing.
Brian Lam Ho Weng **Executive Director**	Mr Brian Lam has been with Heap Wah Barakah since November 2000, starting as a Sales Assistant Coordinator and progressing to Operations Manager cum Director, a tenure of over 25 years within the group. He oversees the operational functions spanning procurement, warehousing, logistics, retail operations and project fulfilment, and is tasked with translating business strategy into day-to-day execution. He holds a CIDB Tapping Plumber A2 (Level 2) certification.
Chris Lam Ho Kwong **Executive Director**	Mr Chris Lam joined Heap Wah Barakah as a Sales Executive in July 2004 and rose to Sales Manager cum Director, bringing over 20 years of experience in sales and business development within the trading and distribution sector. He leads the sales organisation, setting sales targets and KPIs, formulating pricing and promotional strategies, and overseeing major quotations, supplier pricing and sales agreements. He also manages key customer relationships and contributes to management and governance decisions. He holds a Bachelor of Business Administration from the University of Hertfordshire (2003).

Industry Outlook

Malaysia's water network sector is entering a structural growth phase, underpinned by the urgent need to rehabilitate ageing water distribution infrastructure and reduce the country's persistently high level of non-revenue water (NRW). While Malaysia has abundant water resources, inefficiencies within the distribution network remain a major challenge, with approximately one-third of treated water lost before reaching consumers due to pipeline leakages, pipe bursts, illegal connections, inaccurate metering and operational inefficiencies. This not only results in significant revenue losses for water operators but also places additional pressure on water treatment capacity, as more treated water must be produced to compensate for distribution losses.

Reducing NRW has become one of the Federal Government's key priorities under the National Water Services Transformation agenda. The Government aims to progressively reduce the national NRW rate towards 25% by 2040 from levels exceeding 35% currently, primarily through the replacement of ageing pipelines, installation of district metering zones (DMZs), deployment of smart water meters, pressure management systems, and adoption of advanced leak detection technologies. These initiatives are expected to drive a sustained pipeline of infrastructure projects over the coming years, benefiting companies involved in pipe manufacturing, engineering and construction, water network rehabilitation, instrumentation, valves, pumps and digital monitoring solutions.

Malaysia's water distribution infrastructure also presents a significant replacement opportunity, as a large portion of the country's pipeline network has exceeded its intended service life. Many pipelines, particularly asbestos cement and ageing mild steel pipes installed several decades ago, have become increasingly susceptible to bursts and leakages, leading to rising maintenance costs and service disruptions. Given the high cost of water losses compared with preventive infrastructure replacement, state water operators are gradually shifting their focus towards proactive pipeline rehabilitation rather than reactive repairs. This structural replacement cycle is expected to underpin long-term demand for ductile iron, polyethylene (HDPE) and other modern pipeline systems.

The increasing digitalisation of water networks is another key industry trend. Water operators are progressively adopting smart technologies, including Supervisory Control and Data Acquisition (SCADA) systems, Internet of Things (IoT) sensors, geographic information systems (GIS), advanced pressure monitoring and AI-based leak detection solutions to improve operational efficiency and minimise water losses. The integration of real-time monitoring enables operators to detect pipeline failures earlier, optimise water pressure and prioritise maintenance activities, ultimately reducing NRW while lowering operating costs. As utilities continue to modernise their networks, demand for digital water management solutions is expected to grow steadily.

While the long-term outlook remains positive, the sector continues to face several challenges. Water infrastructure development is capital intensive and depends heavily on funding from both the Federal Government and state water operators. Although recent tariff rationalisation has begun to improve the financial sustainability of water operators, water tariffs in Malaysia remain relatively low by regional standards, limiting internally generated funds available for capital expenditure. In addition, water governance remains fragmented, with water resources managed at the state level while regulation is overseen federally, occasionally resulting in delays in project implementation and investment decisions.

SWOT Analysis

Strengths • Diversified brand portfolio – house brands and exclusive distributorships • Extensive and verifiable project track record • Experienced management team	**Weaknesses** • Thin net margin typical of a trading/distribution model • Elevated and lengthening trade receivables • Certification still pending completion
Opportunities • Malaysia's NRW reduction push • Flood mitigation product, targeting government infrastructure demand • Signalled geographic expansion into Sarawak • Earmarked for technology upgrades and expansion	**Threats** • Industry competition • Execution risk on unproven technology partnerships • Revenue lumpiness from dependence on public sector tenders and water-authority project timing

Investment Risk

1. **Public-Sector Tender Concentration of RM100mn.** A meaningful share of the Group's project pipeline is tied to water-authority packages (Air Selangor, Ranhill) and government tenders, including a pending Pahang tender referenced by management. Public infrastructure budget cycles and tender award timing can introduce revenue lumpiness that a pure private-sector distribution business would not face to the same degree.

2. **Dividend and Liquidity Discipline Risk.** The RM5.0mn dividend paid in FY2024A was equivalent to 200% of that year's RM2.51mn net profit and drew cash and bank balances down to just RM246,577 (0.4% of total assets) at financial year-end, forcing greater reliance on banker's-acceptance financing. While FY2025A rebuilt the cash buffer to RM1.99mn with no dividend paid, the precedent raises the question of whether shareholder distributions will be sized to free cash flow, particularly as the Group's technology initiatives begin to require capital.

3. **Working Capital and Receivables Risk.** Trade receivables grew from RM17.22mn (FY2023A) to RM26.85mn (FY2025A), with days sales outstanding fluctuating between 115 and 154 days over the period and impairment losses on trade receivables recognised in every year presented (RM1.61mn in FY2024A, RM532,230 in FY2025A). Continued reliance on project-based clients exposed to construction-sector payment cycles could pressure cash conversion if receivable quality deteriorates.

Financial Exhibits

Income Statement

FYE 31 Dec (RM'mn)	FY2023A	FY2024A	FY2025A
Revenue	54.6	58.0	74.0
Gross Profit	8.4	9.9	13.5
Operating expenses	(4.2)	(5.5)	(7.4)
EBITDA	**4.2**	**4.3**	**6.1**
Depreciation & amortisation	(0.9)	(0.9)	(1.1)
EBIT	**3.3**	**3.4**	**5.0**
Net int income/(expense)	(0.3)	(0.3)	(0.2)
Exceptional gains / (losses)	0.0	0.0	0.0
Associates' contribution	0.0	0.0	0.0
Pretax profit	**3.0**	**3.1**	**4.7**
Tax	(0.9)	(0.6)	(0.7)
Minority interest	0.0	0.0	-
Net profit	**2.1**	**2.5**	**4.0**
Core net profit	**2.1**	**2.5**	**4.0**

Balance Sheet Statement

FYE 31 Dec (RM'mn)	FY2023A	FY2024A	FY2025A
Fixed assets	12.1	12.5	12.5
Other long term assets	3.5	3.7	3.7
Total non-current assets	15.6	16.2	16.2
Cash and equivalents	1.2	0.2	1.5
Inventories	19.6	18.9	18.0
Receivables	17.5	22.3	27.6
Other current assets	8.7	5.4	6.5
Total current assets	47.0	46.8	53.6
Payables	11.0	16.2	16.1
Short term borrowings	4.0	2.0	4.2
Other current liabilities	0.2	0.2	1.5
Total current liabilities	15.2	18.3	21.8
Long term borrowings	4.7	4.2	3.8
Other long term liabilities	1.0	0.9	0.6
Total long term liabilities	5.7	5.1	4.4
Shareholders' Funds	41.7	39.6	43.6
Minority Interest	-	-	-

Cash Flow Statement

FYE 31 Dec (RM'mn)	FY2023A	FY2024A	FY2025A
Pretax Profit	3.0	3.1	4.7
Depreciation & amortisation	0.9	0.9	1.1
Working capital changes	(2.5)	5.2	(1.3)
Cash tax paid	(0.7)	(0.8)	(1.2)
Others	(1.2)	(0.8)	(0.6)
C/F from operation	(0.5)	7.6	2.7
Capex	(0.5)	(0.1)	(0.2)
Others	0.8	(0.2)	(3.2)
C/F from investing	0.3	(0.3)	(3.4)
Debt raised/(repaid)	(4.7)	(6.4)	(6.4)
Dividends paid	(1.0)	(5.0)	0.0
Others	6.0	3.1	8.8
C/F from financing	0.3	(8.3)	2.4
Net change in cash flow	0.0	(1.0)	1.7
Free Cash Flow	(1.0)	7.6	2.5

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