Malaysia Smelting Corp 3Q net profit jumps 53%

KUALA LUMPUR: Malaysia Smelting Corp Bhd (MSC) saw its net profit jump 52.5% to RM11.66 million in the third quarter ended Sept 30, 2018 (3QFY18) from RM7.65 million a year ago, on stronger earnings from both tin smelting and tin mining divisions.

This resulted in higher earnings per share of 2.9 sen for 3QFY18 compared with 1.9 sen for 3QFY17.

Quarterly revenue, however, fell 23.2% to RM309.43 million from RM403.17 million in 3QFY17, due to slower sales of refined tin and less favourable tin prices in 3QFY18.

In a statement yesterday, MSC said its tin smelting business achieved a turnaround in 3QFY18, with a net profit of RM4.7 million compared to a net loss of RM218,000 in 3QFY17, boosted by certain one-off incomes, such as reversal of impairment losses, gain on disposal of joint venture, lead sales and higher other income.

Meanwhile, tin mining operations at the Rahman Hydraulic Tin Sdn Bhd mine saw increased production output and sales volume, as it reported a 13% year-on-year growth in net profit to RM7.2 million in 3QFY18.

For the cumulative nine months (9MFY18), the group posted a 36.1% drop in net profit to RM18.7 million from RM29.29 million a year ago, on lower revenue of RM993.2 million, down 11.1% from RM1.12 billion in 9MFY17.

MSC attributed the lower earnings for 9MFY18 to the strengthening of the ringgit against the US dollar and higher operating expenses.

"Average tin prices in 9MFY18 on the Kuala Lumpur Tin Market increased slightly, in US dollar terms. However, this increase in tin price has been offset by the strengthening of the ringgit versus the US dollar," it noted.

On prospects, MSC chief executive officer Datuk Dr Patrick Yong expects the business environment to remain challenging in the next two years as the group undertakes efforts to improve operations, technology, manpower and logistics.

"Plans to commence full operations in a new plant, using newer and more efficient technology and a more productive workforce are under way. We expect this new plant to be operational in the medium term.

"As we progressively move our operations to our new plant, we expect overheads to increase as we run two plants, with only one generating revenue. We expect this to impact our financial performance for this and the next financial year," said MSC in a Bursa Malaysia filing.

"Once the move is completed, with the new facility with the ISASMELT furnace, we expect to reduce operational and manpower costs, while improving our carbon footprint. In addition, the operational inefficiencies we currently face with our ageing plant in Butterworth will be eliminated," it added.

For its tin mining segment, MSC said it has increased its daily mining output from mid-July, which has contributed to increased production costs in the mining segment.