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One-off provision writeback boosts MSC profit

The Star, Malaysia

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PETALING JAYA: Tin miner and metal producer Malaysia Smelting Corp Bhd's (MSC) net profit for the third quarter ended Sept 30 more than doubled to RM30.6mil from RM11.7mil in the same period of the previous year.

Thus, earnings per share increased to 7.6 sen from 2.9 sen previously.

Revenue, however, dropped to RM204.31mil from RM309.43mil previously due to the lower sales volume of refined tin during the period.

In a statement, MSC said the tin-mining segment had recorded a five-fold jump in the third-quarter net profit to RM40mil, compared to RM7.2mil in the third quarter of 2018.

This was mainly attributable to a one-off provision writeback for tribute payments no longer required, amounting to RM48.4mil.

Meanwhile, the group's tin smelting business was impacted by an inventory write-down to a net realisable value of RM17.3mil due to slower global tin demand and less favourable tin prices during the quarter.

For the cumulative nine-month period, MSC's net profit increased more than two-fold to RM46.6mil from RM18.7mil in the previous

year, mainly due to the one-off provision write-back for tribute payments of RM48.4mil in the tin-mining segment's performance.

For the period, earnings per share moved in tandem to 11.7 sen from 4.7 sen.

Group revenue amounted to RM800.8mil for the nine-month period, from RM993.2mil in the same period of the previous year.

As at Sept 30, 2019, total bank borrowings increased to RM297.9mil from RM293.0mil as at Dec 31, 2018 due to a drawdown of short-term borrowings for working capital purposes. The group's gearing ratio remained at 0.8 times.

Commenting on the group's results, group chief executive officer Datuk Patrick Yong said: "Despite posting stronger earnings during the period, we remain cognisant of the challenging operating landscape and continue to build our core competencies to navigate through these uncertain times.

"With the prolonged trade tensions between the US and China, the industry outlook is expected to remain challenging for the rest of the year," said Yong.

MSC sees a softer demand for tin solder, resulting in a built-up in tin inventories which could lead to a decline in tin prices.

Nonetheless, the group remains focused on executing its ongoing plans, as it strengthens its position in the tin industry.

At the group's Pulau Indah smelting facility in Port Klang, initial testing and commissioning works are underway.

MSC expects the smelter to commence full operations in 2020 using the more efficient ISASMELT furnace.

"With this technology upgrade, we look forward to higher recovery yields with lower operational and manpower costs. Until then, our financial performance will continue to be impacted by the running of two smelting plants in parallel, with only the Butterworth smelter generating revenue," said Yong.

For MSC's tin-mining segment, its focus is to improve its overall mining productivity. This includes efforts to increase the daily mining output at its Rahman Hydraulic tin mine in Klian Intan, Perak, and exploring new tin deposits.

"Meanwhile, we expect the tin-mining activities at Sungai Lembing, Pahang, to start contributing in the near term. At the same time, we are also exploring potential joint-venture mining arrangements to expand our tin-mining activities," said Yong.



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SUMMARIES

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