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Pulau Indah smelter to replace MSC's Butterworth ops

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TheStar Exclusive

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THE countdown to phase out the operation of Malaysia Smelting Corp Bhd's (MSC) 118-year old iconic tin smelting plant in Butterworth has officially started.

According to group CEO and executive director Datuk Patrick Yong, MSC plans to commence operation of its new international smelting plant in Pulau Indah, Klang by year-end.

"We are in the final phase of relocating the existing equipment and others from Butterworth.

"Even then, MSC will still be operating both plants in parallel until we are absolutely certain with the stability and efficiency of the new plant in Pulau Indah. This is prior to winding down the old smelter.

"This is to ensure the reliability and security of supply to our existing customers," Yong says.

MSC is a global tin mining and smelting group as well as the world's third largest tin supplier.

Yong tells *StarBizWeek* that the new smelting plant is best described as an engineering challenge for the group.

Equipped with cutting-edge extractive technology employing a top submerged lance (TSL) furnace, the Pulau Indah facility will see significant improvement in smelting efficiency and production rates.

MSC's total investment cost for the Pulau Indah facility is about RM150mil, of which RM50mil is for the plant purchase and RM100mil for refurbishment and upgrading works.

"Even as we speak, MSC is installing equipment for photovoltaic generation and planning a waste heat recovery plant to recover thermal energy from the flue gas of our furnace.

"The first phase of solar generation has been approved by Tenaga Nasional Bhd in a net energy metering arrangement and is in use.

"Although this may be slightly capital-cost heavy, the resultant energy savings will



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Datuk Patrick Yong

bring about the return-on-investment (ROI) within the next two to three years.

"Furthermore, this will also place MSC as the smelter with one of the lowest carbon footprints in the world," explains Yong.

As an integrated tin producer, MSC's core operations comprise both upstream and midstream activities of the tin value chain through the group's international tin smelting business, and local tin mining operations under its fully-owned subsidiary Rahman Hydraulic Tin Sdn Bhd (RHT) in Perak.

Yong also notes that MSC is currently the largest toll smelter in the world and "we also smelt our own Malaysian mined tin .

By moving to Pulau Indah plant with the new TSL furnace, the group's smelting capacity will be enhanced thus making room for further potential smelting ability.

"Therefore, it is obvious that we want to increase our base load to bring about higher fixed cost efficiency.

"This can be achieved by the revival of domestic tin mining as promoted by the government and it is only natural that MSC spearhead this thrust," he adds.

He points out that the world supply of tin ore is still lagging behind demand as indicated by the worldwide growth in secondary extraction of tin tailings.

"So naturally, we would expect that the role played by toll smelters will have higher relevance."

Monetising options

Meanwhile, MSC is looking forward to unlock the value of its existing 13.9 acres old smelting plant site in Butterworth together

with the adjacent 26.2 acres owned by its parent company, Straits Trading Company Ltd (STC).

This includes redevelopment into mixed property and residential development projects.

"However, MSC will not be doing the development ourselves, but we have entered into an agreement for STC to take over the project as the latter would have the know-how and experience for such a venture.

"I believe the master plan for the entire development has been approved as "mixed development" and initial work has already started on the ground."

On whether MSC will be keen to diversify into property-related businesses, he is quick to add that "The fundamental and primary business of MSC as an integrated smelter and miner has not changed at all.

"The availability of the 13.9 acres is a result of the relocation and not relocating to make way for development, although it fits in nicely and serves well when we monetise the land together with STC."

As a matter of fact, the Department of Environment has always encouraged smelters to be moved to designated industrial areas as the city goes through a natural development phase for domestic and commercial growth.

"MSC has been fortunate to have found a brownfield opportunity (Pulau Indah plant) in the form of a lead smelter, already installed with the latest TSL technology furnace.

"This would take the group up to a few notches in smelting technology, efficiency and lower greenhouse gas emissions.

"This brownfield project also cuts short

the development time as compared with a greenfield project, which will take more than double the time and much higher in cost too.

"Freeing the land for development is a welcomed accelerated business "by-product", even though the intention did exist in our mind into the future," Yong further explains.

In addition, the question of joint-ventures and various options of development have been left to STC to decide following whatever is best for business as both parties are in the same boat.

"A visit to the site now will reveal that construction of a tower block is already well on the way," he says.

At the moment, Yong maintains that MSC will focus on tin-related business activities which is its forte.

Upstream expansion

"The upstream expansion and attention in the higher profit sectors of the tin supply chain will remain as our direction forward.

"This is also very much in tandem with our country's direction in tin mining.

"MSC through RHT will be expanding mining activities both in the primary and secondary extractions of the metal.

"Our second open cast mine in Sg Lembing, Pahang has started operations and we are also conducting exploration in a couple of potential sites around the Klian Intan resource in Perak."

On the current tin price trend and the industry being a "resurgent sector", he points out that tin mining is very "energy hungry" and the cost of mining will prevent tin price from falling below the global average mining cost, which I believe is around US\$15,000 per tonne, for hard rock mining.

"If the unlikely happens that tin price dips below this level, it would be likely that the demand and supply reaction will kick in to support tin price.

"The upper range as predicted by the International Tin Association is an encouraging "US\$25,000".

Therefore, it will not be too difficult to guess where the betting man is putting his money.

"In my opinion, tin is not at all a sunset industry as some quarters have painted it to be," Yong concludes.



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SUMMARIES

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