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Malaysia Smelting Corp ends FY19 on a weak note, proposes 2 sen dividend

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February 20, 2020 19:59 pm +08

KUALA LUMPUR (Feb 19): Malaysia Smelting Corp Bhd (MSC) slipped into the red in the fourth quarter ended Dec 31, 2019 (4QFY19) due to poorer performance in the tin smelting division, which was impacted by an inventory write-down of RM13.8 million and the provision for a voluntary separation scheme of RM15 million.

This is in addition to lower profit from the sale of by-products and less favourable average tin prices during the current quarter. According to the Kuala Lumpur Tin Market, tin prices in 4QFY19 averaged US$16,690 per tonne against US$19,130 per tonne in 4QFY18.

The group posted a net loss of RM13.16 million compared with a net profit of RM15.59 million a year ago. This resulted in a loss per share of 3.3 sen for 4QFY19 compared with an earnings per share of 3.9 sen for 4QFY18.

Revenue for the quarter fell 36.5% to RM182.73 million from RM287.7 million a year ago.

Nevertheless, the group proposed a first and final dividend of two sen per share, representing a dividend payout of 24% of FY19 net profit, subject to shareholders' approval at its forthcoming annual general meeting.

The poor quarterly performance dragged the group's net profit for the full year ended Dec 31, 2019 (FY19) down 2.4% to RM33.48 million from RM34.3 million in the previous year, while revenue fell 23.2% to RM983.57 million from RM1.28 billion in FY18.

Going forward, MSC chief executive officer Datuk Patrick Yong said the group remains focused on building a strong foundation as it foresees the challenging business environment prevailing going into 2020.

“The tin industry outlook is expected to remain soft as prolonged global trade tensions continue to affect global tin demand, leading to a build-up in tin inventories and lower tin prices.

“At the same time, the recent outbreak of the novel coronavirus (Covid-19) may further disrupt the global supply chain in the first half of 2020. We expect demand for tin solder to be adversely impacted, with China, the world’s largest manufacturing and electronic hub, being the most affected by Covid-19,” he said in a statement today.

As the group relocates to a new smelting facility in Pulau Indah, Selangor, Yong said the group expects its financial performance to gradually improve as it phases out production in Butterworth, Penang.

“Our tin mining activities at Sungai Lembing, Pahang are also expected to start contributing in the near term. In addition to our ongoing efforts above, we are also looking at potential joint ventures to enhance our mining activities,” he added.

As at Dec 31, 2019, total bank borrowings stood at RM266.2 million with a gearing ratio of 0.7 times.

MSC shares closed down one sen or 1.16% at 85 sen today, bringing it a market capitalisation of RM340 million. The counter saw 36,300 shares done.