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Malaysia Smelting Corp 4Q sees RM13.2m net loss

by NUR HANANI AZMAN

MALAYSIA Smelting Corp Bhd (MSC) said lower prices and write down of inventories saw it post a net loss of RM13.2 million in the fourth quarter ended Dec 31, 2019 (4Q19), compared to RM15.6 million net profit in 4Q18.

The weaker quarter was primarily due to poorer performance from its tin smelting division which was impacted by an inventory writedown of RM13.8 million and the provision for a voluntary separation scheme (VSS) of RM15 million, in addition to lower profit from sale of by-products and less favourable average tin prices during the quarter.

According to the Kuala Lumpur Tin Market (KLTM), tin prices in 4Q19 averaged US$16,690 (RM69,822)/tonne, against US$19,130/tonne in 4Q18.

MSC's revenue amounted to RM182.7 million in 4Q19 compared to RM287.7 million in 4Q18 mainly due to lower average tin prices and lower sales quantity of refined tin in 4Q19.

As at Dec 31, 2019, its total bank borrowings decreased 9% to RM266.2 million from RM293 million as at Dec 31, 2018, due to the repayment of borrowings. This helped the group's gearing ratio improve to 0.7 times as at Dec 31, 2019, its statement yesterday revealed.

For the full year financial period ended Dec 31, 2019 (FY19), MSC recorded a net profit of RM33.5 million versus RM34.3 million in FY18, mainly driven by stronger earnings posted by the group's tin mining segment, offset by the softer performance in the tin smelting division.

The tin mining segment's net profit more than doubled to RM67.5 million in FY19 from RM25.3 million in FY18. The improved performance is mainly attributable to a one-off provision writeback of RM48.4 million for tribute payments no longer required which were recorded in 3Q19.

MSC's tin smelting business reported a net loss of RM31 million in FY19 as it was impacted by the lower tin prices and soft global demand which resulted in an inventory writedown of RM31.1 million.

According to the KLTM, tin prices in 2019 averaged 7% lower at US$18,616/tonne, compared to US$20,067/tonne in FY18.

The provision for a VSS of RM15 million in respect of the internal restructuring exercise at the Butterworth, Penang, smelter in FY19, MSC said.

Revenue for the year amounted to RM983.6 million due to lower demand of refined tin and less favourable tin prices during the year.

MSC has proposed a first and final single-tier dividend of two sen per share, representing a dividend payout of 24% of FY19 net profit.

MSC CEO Datuk Dr Patrick Yong said the recent outbreak of the novel coronavirus may further disrupt the global supply chain in the first half of 2020.

He said 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.

"Despite the challenging market conditions, we continue to carry out our strategic initiatives to enhance the group's competitiveness and facilitate long-term growth. We are looking forward to the commissioning of the new Pulau Indah, Selangor, smelting facility, which is expected to commence full operations in the near term," he said.

The Pulau Indah smelter boasts a more advanced smelting technology using the more efficient ISASMELT furnace, leading to higher extractive yields while bringing down the group's operational and manpower costs.

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