MSC reports net loss of RM13.2 mil for 1QFY20

By Xavier Kong | June 24, 2020 8:24 pm | Mainstream

MALAYSIA Smelting Corporation Bhd (MSC) posted a net loss of RM13.2 mil for the first quarter of its 2020 financial year, the impact of global trade disruptions due to the Covid-19 pandemic.

The tin miner and metal producer noted that the lower contributions are from its tin smelting and mining segments, with the latter bringing in less than 50% year-on-year (yoy) of the profits from 1QFY19 at RM4.5 mil from a previous RM9.4 mil.

"The softer performance was on the back of lower average tin prices and sales volume of tin during the period, primarily attributed to the temporary closure of the group's operations in the second half of March 2020, following the implementation of the Movement Control Order (MCO) from March 18," said group CEO Datuk Dr Patrick Yong in a statement today.

Average tin prices at the Kuala Lumpur Tin Market for the quarter had also declined 21% to US$16,656 per tonne, compared to 1QFY19's US$21,001.

For the tin smelting segment, a net loss of RM19.3 mil was posted for 1Q20, with the loss attributed to an inventory writedown of RM14 mil.

This was a result of lower tin prices, the disruptions in the supply and demand chain for tin due to Covid-19, and prolonged trade tensions, with a lower profit from the sale of by-products playing a role as well.

At the same time, the shutdown of the group's smelting plant over the period of the MCO had also affected the performance and contribution of the tin smelting segment.

Revenue for the quarter came in at RM205.3 mil, attributed to less favourable tin prices and lower sales quantity of refined tin during the period.

Moving forward, Yong shared that the group is progressively ramping up production with the resumption of operations following the reopening of the Malaysian economy, with adherence to the standard operating procedures imposed.

"We will continue to closely monitor the developments of the pandemic, to fully grasp the effects of Covid-19 and the MCO on the group. As the situation is still fluid, the scale of the impact remains uncertain at this juncture," he said.

Yong also guided that the business landscape will remain challenging for the second half of 2020, exacerbated by Covid-19 and the prolonged trade tensions between the US and China.

However, progress is being made on the upgrading of the group's new smelting facility at Pulau Indah, with plans on track to begin full operations in the near term.

"With the technology upgrade using a more efficient Top Submerged Lance (TSL) furnace, we look forward to higher recovery yields with improved operational and cost efficiencies, while improving our carbon footprint," said Yong.

However, he also expects overheads to increase as the group runs two smelting plants in parallel, which will impact MSC's financial performance until the relocation is complete.

The group is also increasing overall mining productivity, and is exploring potential joint venture mining arrangements to further expand mining activities.

At the close of trading today, the group's shares were at 72.5 sen, up half a sen, with 39,000 shares changing hands. - June 24, 2020

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