MSC remains cautious in 2021

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By ASILA JALIL

MALAYSIA Smelting Corp Bhd (MSC) will remain cautious in 2021 and continue to focus on its operational efficiencies as the prolonged global trade tensions caused by the Covid-19 pandemic will have some profound effects on the tin industry.

The group registered a net profit of RM15.86 million in its fourth-quarter ended Dec 31, 2020 (4Q20), compared to a net loss of RM15.95 million a year prior buoyed by higher average tin prices and improved sales of refined tin in the quarter.

According to the Kuala Lumpur Tin Market, average tin prices rose 11% year-on-year (YoY) to RM76,870 per tonne in 4Q20.

Revenue rose 27.3% YoY to RM232.57 million in the quarter compared to RM182.73 million in 4Q19.

The tin smelting segment registred a pre-tax earnings of RM18.7 million in the quarter under review compared to a loss before tax of RM22.5 million a year earlier. This was mainly due to RM21.1 million reversal of inventories written in 4Q20.

"The tin mining segment recorded a profit before tax of RM12 million in 4Q20 compared to RM11 million in 4Q19.

"This was mainly due to higher average tin prices and higher sales quantity of refined tin in 4Q20, offset with impairment of mine properties and mining rights," said MSC in a Bursa filing.

For the 12-month period, the group's net profit slid 47.5% YoY to RM16.1 million from RM30.69 million in 2019 due to lower average tin prices for last year of RM71,559 compared to RM77,024per metric tonne in 2019.

Revenue for 2020 dropped 17.3%to RM813.36 million from RM983.57 million in 2019.

Lower sales quantity of refined tin in 2020 as a result of the pandemic and disruptions in the smelting and mining operations from the temporary closure during the Movement Control Order also contributed to lower earnings last year.

Amid a challenging backdrop, MSC's tin smelting division returned to the black in the financial year 2020 (FY20) as it posted a net profit of RM3.4 million from a net loss of RM30.8 million in FY19, lifted by the reversal of inventories written down amounting to RM7.1 million.

The group had recommended a payment of a first and final single-tier dividend of one sen per share amounting to RM4 million for the financial year ending Dec 31, 2020.

The book closure and payment date will be announced at a later date.

Group CEO Datuk Dr Patrick Yong said despite the challenging year, the group's underlying core operations remain resilient as they continue to execute ongoing rationalisation initiatives to enhance efficiencies across the group.

"Our plan to fully commission the new smelting facility in Pulau Indah is on track for late-2021 or early-2022. The new smelter is anticipated to significantly increase our production capacity by 50% to 60,000 tonnes per year using the cutting-edge Top Submerged Lance furnace, with lower operational costs and carbon footprint.

"At the moment, testing and commissioning works are being carried out to ensure smooth operations before taking over entirely the smelting activities from the old Butterworth plant."

"For our tin mining division, we remain focused on enhancing our overall mining productivity. At our Rahman Hydraulic Tin mine in Klian Intan, we are exploring new tin deposits in addition to introducing new technologies to increase our daily mining output," he added.

In Sungai Lembing, MSC's mining activities have commenced during the year with minimal average production. The group is also exploring potential joint venture arrangements to further expand mining activities.

"For 2021, we are already seeing tin consumption recover with the London Metal Exchange three- month tin price soaring to seven-year highs of US$23,443 (RM94,710) per tonne in February 2021 as supply strives to meet demand," he said.

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