



11 OCT, 2021

## New plant to boost margins for MSC

The Star, Malaysia

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**PETALING JAYA:** Tin prices have hit an all-time high and are likely to remain strong, at least in the near-term, as power cuts in China persist.

A beneficiary of this is Malaysia Smelting Corp (MSC) Bhd, which is currently trading at "cheap valuations of four times 2022 forecast price to earnings (PE) at the spot price of circa US\$35,000 (RM146,230) per tonne," according to UOB Kay Hian (UOBKH) Research.

As of Sept 24, the London Metal Exchange (LME) tin prices have risen to an all-time high of about US\$37,000 (RM154,586) per tonne – an increase of 116% year-on-year.

A mix of factors, from pandemic-led supply disruptions and growing pent-up demand, has contributed to the rally of tin prices this year.

While prices may ease gradually entering 2022, the research firm believes that prices would remain firm in the long run, albeit not at the current high, as the structural supply issue may persist.

"If tin price remains high at this current

level in 2022, this could result in a 20% upside to our target price of RM3.02 at RM3.61," it said in a note to clients.

Business-wise, a more meaningful growth will be seen in 2022 when its new eco-friendly plant runs at 100% capacity. MSC's production will be done at its new smelting plant in Pulau Indah as it shuts down its 100-year-old reverberatory furnaces in Penang.

"The new smelter boasts production costs that are at least 20% lower than the old ones. This is due to the state-of-the-art technology which uses a top submerged lance furnace that provides better efficiency via its single-stage smelting versus multistage smelting process used previously," said UOBKH Research.

The plant will also have 50% higher production capacity while requiring over 40% less manpower.

This will also help reduce MSC's carbon footprint through the use of natural gas, solar panels and waste heat recovery.

The research firm noted that despite the

movement control order (MCO), MSC posted a healthy net profit of RM25mil for the first half of 2021 compared with a net loss of RM12.3mil in the same period in 2020.

"As the MCO eases, MSC is currently operating at 100% workforce capacity. As such, we can expect stronger earnings moving forward as MSC ramps up its production. We believe the drop in production this year will be partially mitigated by the lofty tin prices," it added.

According to the research firm, the group is expected to post a three-year (2021-2023) earnings compound annual growth rate of 97% as it is poised to benefit from strong tin prices and robust structural demand from the potential adoption of next generation technologies amid the market's supply shortage. MSC's future growth will be further supported by exploration of new mines and development of its Butterworth land, it added.

Shares of MSC closed at RM2.27 last Friday, giving the stock a market cap of RM953mil.



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### SUMMARIES

PETALING JAYA: Tin prices have hit an alltime high and are likely to remain strong, at least in the near-term, as power cuts in China persist. A beneficiary of this is Malaysia Smelting Corp (MSC) Bhd, which is currently trading at "cheap valuations of four times 2022 forecast price to earnings (PE) at the spot price of circa US\$35,000 (RM146,230) per tonne," according to UOB Kay Hian (UOBKH) Research.