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## Repercussions for the tin market

The Star, Malaysia

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### StarBiz Special

# Repercussions for the tin market

## M'sia Smelting Corp's production halt affects exchange

### COMMODITIES

By HANIM ADNAN  
nem@thestar.com.my

**PETALING JAYA:** The restriction on the tin smelting and mining operations of Malaysia Smelting Corp Bhd (MSC) during phase one of the National Recovery Plan has led to an indefinite suspension of the Kuala Lumpur Tin Market (KLTM).

MSC is the world's third-largest tin supplier as well as the world's largest toll smelter. A large portion of its 40,000 tonnes of tin ore annually is smelted and traded on the local physical tin market in Malaysia.

When contacted, MSC chief executive officer Datuk Patrick Yong said, "To the best of my memory in my short stint in the tin business, this may be the first time the KLTM is suspended due to the stoppage in MSC's production."

Given that MSC is the sole tin smelter and the only industrial scale miner in Malaysia, he noted that the operation restriction would limit the group's production, thus surely affecting the turnover of the KLTM.

He told *StarBiz* that "although the KLTM is technically independent of MSC, other than being related in trading, the physical tin market is also linked by the supply chain of the tin being traded and MSC happens to be the only smelter in the country and supplies over 95% of tin to the KLTM".

The current restriction on operations has also disrupted its tin supply to both the London Metal Exchange and the KLTM, added Yong.

"As we are restricted to operating at 10% of



**"More local industries such as tin canning, tin plating and solder making which require tin will now have to import tin at a higher price."**

Datuk Patrick Yong

our total workforce, we can only keep our furnaces and kettles warm and are unable to operate efficiently."

MSC also had to declare a force majeure to protect the group from international contractual obligations, Yong pointed out.

"Since we supply the bulk of tin traded on the KLTM, and with this stoppage of production, the situation has led to the suspension of all tin trading activities on the KLTM until MSC's operation is back to normal," he added.

During the movement control order (MCO) 1 and MCO 2, MSC was classified as an essential and integral part of the global supply chain by the International Trade and Industry Ministry.

"Much to our surprise and dismay, when MCO 3.0 was announced, we were restricted to operate with only 10% of our workforce, under 'idle-warm' despite nothing much having changed in the operations of our tin smelters and mine," Yong said.

With such restrictions on its workforce, no tin can possibly come out from MSC's tin mines which are managed by Rahman

Hydraulic Tin Sdn Bhd and its tin smelting plants. Yong also expects trading on the KLTM to remain suspended until MSC receives the approval from the relevant authorities.

The imbalance in the supply and demand position will drive tin prices higher, affecting industries that require tin in their downstream activities.

Yong cautioned that "more local industries such as tin canning, tin plating and solder making which require tin will now have to import tin at a higher price."

"Even the collection of royalties and levies by the state departments will not be spared. These are just a few of the collateral damages."

Another point highlighted by Yong is on MSC's status as the world's largest custom toll smelter.

The group has to source and receive tin ore from third-party miners from all over the world such as Brazil, Peru and Indonesia, among others.

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### New smelting plant to improve speed, efficiency

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“The Covid-19 pandemic presented these countries with challenges and coupled with the restriction on MSC’s operations, it further impacted the global tin supply chain, causing tin prices to shoot up sky high internationally,” he added.

Furthermore, the drop in MSC’s tin production will have a global impact, namely, in the semiconductor and photovoltaic industries.

The rise in demand for more electronic devices and renewable energy has led to a sharp rise in prices of solar panels and solder.

To date, half of the global tin demand is used as tin solder, which is needed to attach the electronic components to circuit boards as well as to connect cells in a solar panel.

Operational-wise, Yong pointed out that for MSC, there was very little damage control that could be done except to bite the bullet.

“However, we have utilised this non-revenue time to do planning and activities low down the merit list.

“We have also written to appeal to the relevant authorities to allow resumption of production,” he added.

According to Yong, the higher tin price will affect MSC more in the mining sector as “our export value of tin metal will greatly benefit us.

“Our inventory of tin containing material will also benefit from the price hike.

“As far as the toll smelting business is concerned, there will be little effect as we earn tolling charges. The lower turnover in smelting volume will translate to slightly lower earnings.”

He also expects that MSC can return to full operations in a couple of months after the situation is all cleared with lower Covid-19 infections.

Nonetheless, with MSC’s new smelting plant in Pulau Indah, the main benefit will be in improved smelting speed and efficiency.

However, Yong noted that the planned smelting throughput will remain roughly the same, as it will take some time to smelt the backlog of tin ore, which has accumulated for return to tolling customers, after which, considerations will be given to increase smelting output, depending on the market situation.



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### SUMMARIES

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