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## MSC thrives on rising tin prices and higher production

The Edge, Malaysia

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BY SUPRIYA SURENDRAN

It is definitely a good time to be in the tin business right now. On May 6, spot tin prices quoted on the London Metal Exchange (LME) closed at a record high of US\$33,825 per tonne.

The spike in the price of one of the world's oldest commodities bodes well for the third largest producer of refined tin globally, Malaysia Smelting Corp Bhd (MSC).

MSC group CEO Datuk Dr Patrick Yong anticipates improved profitability in both MSC's tin mining and smelting divisions, fuelled by surging tin prices.

"Profitability of our tin mining division going forward will be driven by two factors — higher production volumes and higher tin prices. At our Rahman Hydraulic Tin Mine, we have introduced new mining and processing methods to increase productivity. As a result, we have increased our tin mine production to 11 tonnes per day in the first quarter of 2021 (1Q2021), from an average of 9.5 tonnes per day in 2020.

"We hope to gradually ramp up production to reach 12 tonnes per day by the end of 2021. On our smelting side, we stand to gain from potential increased need for ore smelting due to rising tin prices," he tells *The Edge*.

The positive momentum in tin prices has aided a turnaround in the group's financials for the first quarter ended March 31, 2021 as the group recorded a net profit of RM22.12 million compared with a loss of RM13.19 million a year ago. This was achieved on the back of higher average tin prices and tin production quantity in the mining segment, and a reversal of inventories written down in its smelting segment. Revenue for the quarter increased 34% year on year to RM275.91 million.

MSC's tin smelting business contributed around 34% to group profit in 1Q2021, while its tin mining business contributed around 64%.

"High tin prices are favourable to MSC's smelting segment as it will incentivise more mines to increase supply of tin-in-concentrates, benefiting our tin smelting business," Yong says.

Earlier this month, Reuters reported MSC had informed its clients that its smelting division was "severely affected by the Covid-19 pandemic and it will take nine months to resume normal output". The report was based on a letter dated April 26 sighted by the news agency.

Yong acknowledged the pandemic's disruption to MSC's smelting operations. Movement restrictions have also impacted the scheduled relocation of its smelting operations from its Butterworth plant to a new plant in Pulau Indah, Klang, he says.

"The unexpected load demand on the ageing furnaces at the old plant that were scheduled for decommissioning also caused a backlog of tin ore to be smelted. In addition, some of MSC's ageing reverberatory furnaces at the Butterworth smelter were experiencing breakdowns due to alternate heating and cooling."

Tin has seen a surge in demand from the second half of last year, which led to most smelters having to deal with a backlog of orders as smelting activities were disrupted by lockdown restrictions in many countries in the first half of 2020 following a surge in Covid-19 cases.

International Tin Association (ITA) market analyst James Willoughby attributes the return of demand in the second half of last year to work-from-home and schooling-from-home trends, and consumers shifting their spending from travelling and entertainment to home electronics — particularly small to medium-sized appliances that use tin as one of the raw materials.

"The combination of low production and rising demand saw prices rise considerably. This year, demand has continued its trend higher. We have seen a recovery in most tin-using markets, while some smelters continue to have issues with their production," says Willoughby.

### LME spot tin prices vs MSC share price



Yong is confident that MSC will be able to bring the situation under control as refurbishment works at its Butterworth smelter are almost completed.

"Most of the furnaces at Butterworth are currently operational as we strive to meet customers' demands and focus on smelting the current backlog of tin ore as well as to sustain our production output. So we do not expect much deviation from our usual production level, provided that tin ore supply to us is not further interrupted by the pandemic," he cautions.

"With all of Butterworth's smelting furnaces operational, we have a smelting capacity of 40,000 tonnes of tin ore. At the moment, the plant is running at full capacity as it fulfils orders from customers. We will have the luxury of spare capacity as we ramp up smelting activities at the Pulau Indah smelter. The full commissioning of the new plant later this year will certainly enable us to return to schedule."

Last year, MSC produced 22,400 tonnes of refined tin, a decline of 7.8% compared with the 24,300 tonnes produced in 2019, according to data from the ITA. This ranked

MSC as the world's third largest producer of refined tin, behind Yunnan Tin Group of China (74,800 tonnes) and PT Timah Tbk of Indonesia (45,700).

On the impact of the nationwide Movement Control Order in force from May 12 this year, Yong says the group's mining and smelting businesses are now operating as usual with no disruptions to production.

"We look forward to the government's commitment towards the vaccination programme so that further infection waves do not cause unplanned cuts in production."

### Can the tin price rally be sustained?

Year to date, tin prices on the LME have appreciated 57% to US\$32,205 per tonne last Wednesday.

Yong expects tin prices to remain high for the rest of 2021 and into 2022, driven by the sudden demand for consumer electric goods such as laptops and electronic home entertainment systems, since many people are confined to their homes. "This drives up the demand for solder, hence tin usage, tilting the supply-demand balance, with tin inventories running low," he says.

When the price rally will come to an end is tough to say, observes ITA's Willoughby.

"At the moment, there is not a definite date for smelters to come back online or to start producing more tin. We do expect demand to come off slightly during the second half of the year as the world's population transitions back to work and begins spending on travelling again, rather than electronics."

The uptrend in tin prices and its positive spillover effects on MSC's financials have bode well for its share price. Year to date, MSC — which is dual-listed on Bursa Malaysia and the Singapore Exchange (SGX) — had appreciated 54% to RM2.20 as at last Thursday, which translates into a market capitalisation of RM880 million. Tan Chin Tuan Pte Ltd, the ultimate holding company of SGX-listed The Straits Trading Co Ltd, is the largest shareholder of MSC with a 54.85% stake.



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### SUMMARIES

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