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MSC set to ride on global tin prices recovery

BY HANIM ADNAN

It'll bring significant improvement in profit in coming quarters

PETALING JAYA: The stage is set for Malaysia Smelting Corp Bhd (MSC) to perform better this year given anticipation of a continued recovery in tin prices after experiencing a six-year slump, say analysts.
Since January last year, global tin price has surged by almost 40% from about US$14,000 per tonne to about US$19,500 per tonne currently.

As the world's second-largest tin metal supplier, analysts expect the spike in tin prices, together with the strengthening of the US dollar, will bring significant improvement in MSC's profit in the coming quarters.

The recovery in the global tin prices is also reflected in MSC's newly released financial year ended Dec 31, 2016 (FY16) results.

MSC Group posted a turnaround in its earnings of RM37.45mil in FY16 on the back of a higher revenue at RM1.48bil after experiencing two consecutive losses in 2014 and 2015.

The company is also proposing a dividend of eight sen in FY16. Its last dividend payment was in April 2012 for FY11.

In recent months, the share price of MSC has also been on an uptrend, touching a high of RM4.20 on Jan 9 this year from a low of RM2.21 on Feb 3 last year, bouyed by the overall positive sentiment in the global tin market.

One analyst, meanwhile, has described 2016 as a watershed year for MSC.

The year saw significant boardroom changes including a new chairman Chew Gek Khim, several new directors on board as well as a new CEO Datuk Dr Patrick Yong replacing Chua Cheong Yong, its former CEO of two years.

MSC, which is dual-listed on Bursa Malaysia and Singapore Stock Exchange, is a 54.8%-owned subsidiary of The Straits Trading Co Ltd (STC).

It is worth to note that Chew is also STC executive chairman since 2009.

Industry observers said Chew coming on board as MSC chairman in May last year was widely perceived as “major stakeholder STC Group taking a more active role in the operations of the 113-year-old MSC Group, moving forward.”

On the operational side, it would be interesting to see how Yong steers MSC, going forward, while maintaining the group’s current premium position in the global market.

An engineer by qualification, Yong has over four decades of experience in global operations in several business areas including leadership, research and development of international marketing and sale organisation.

Yong was recently quoted as saying that the volatility of tin prices continues to be one of the biggest challenges facing the industry.

MSC would be taking significant steps to stay ahead of the pack and mitigate the impact of fluctuating prices, he added.

Looking ahead, he is optimistic about MSC’s prospects. “We will continue to make the necessary strategic decisions and adapt to the ever-changing marketplace,” said Yong.

Analysts also say MSC would likely focus on exploration for new tin resources, increasing equity interests to pave way for future growth opportunities and capacity building to ensure its resources and expertise are future-ready.

The group currently has a net cashflow from operating activities of RM54.5mil for FY16. It has also managed to reduce its total borrowings with net gearing ratio declining to 1.2 time from 1.6 times a year ago.

“One task at hand waiting for Yong will be the RM50mil new acquisition of Metal Reclamation Industries Sdn Bhd (MRI) by its subsidiary MSmelt Sdn Bhd,” and retro fitting it into one of the most-modern tin smelter in the region, said an analyst with a bank-backed brokerage.

MRI is envisaged to be a strategic-fit to complement MSC’s existing cash-generating international smelting operation in Butterworth and tin mining operation managed by subsidiary Rahman Hydraulic Tin Sdn Bhd, he added.

MSC’s smelting facility in Butterworth currently operates a cost-efficient plant with a production capacity of about 40,000 tonnes of refined tin per year and uses reverberatory furnace technology.