

## Team Coverage

(603) 7890 8888

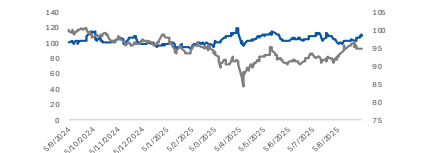
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<b>Recommendation:</b>	<b>BUY</b>
Current Price:	RM 1.23
Previous Target Price:	N/A
Target Price:	RM 1.51
Capital Upside/Downside:	22.8%
Dividend Yield (%):	6.1%
<b>Total Upside/Downside:</b>	<b>28.9%</b>

<b>Stock information</b>	
Board	MAIN
Sector	Industrial products & services
Bursa / Bloomberg Code	5916 / SMELTMK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	840.0
Market Cap (RM' m)	1,033.2
52-Week Price Range (RM)	1.375-1.01
Beta (x)	1.2
Free float (%)	64.3
3M Average Volume (m)	0.5
3M Average Value (RM' m)	0.6

<b>Top 3 Shareholders</b>	<b>(%)</b>
Straits Trading Co Ltd / Singapore	26.8
Straits Trading Amalgamated Reso	16.6
Sword Investments Private Limite	5.1

## Share Price Performance



	1M	3M	12M
Absolute (%)	7.0	5.1	12.6
Relative (%)	5.0	0.6	17.4

<b>Earnings Summary</b>			
<b>FYE Dec (RM m)</b>	<b>FY 24</b>	<b>FY 25F</b>	<b>FY 26F</b>
Revenue	1,691.8	1,702.0	2,013.1
PATAM I	93.5	84.5	119.8
CNP	79.4	70.4	105.7
Core EPS (sen)	9.5	8.4	12.6
PE (x)	12.7	14.3	9.5

Source: Company, Apex Securities

## Malaysia Smelting Corporation Bhd

## Riding the Wave of Tin Demand

- **MSC is poised to benefit from long-term global tin market fundamentals, driven by steady demand and constrained supplies.**
- **Core earnings growth will be driven by (i) stable output levels supported by consistent mining and smelting operations, (ii) favourable metal price movement, and (iii) ongoing cost optimisation.** Our projections currently exclude potential upside from any new resource discoveries or expansions in processing capacity, which could provide additional earnings catalysts.
- **We initiate coverage on MSC with a BUY call and a target price of RM1.51 pegged to 12x PE multiple on FY26F EPS of 12.6sen, and ascribed with three-star ESG rating.** The assigned PE multiple reflects a 19.5% discount to the selected smelting peers' average of 14.9x, to account for MSC's smaller market capitalisation and lower trading liquidity compared to its peers.

## Key Investment Highlights

**Largest local integrated tin mining and smelting player.** Through Rahman Hydraulic Tin Sdn Bhd, MSC owns the largest and one of the oldest tin mines in Malaysia (acquired in 2004) spanning 267.3 ha and equipped with a 1.0 MW hydropower station. The mine has a mining lease period until November 2034 and has consistently delivered improved mining output over the years. Today, MSC ranks among the world's largest producers of tin metal and tin-based products, with refined tin capacity of up to 60,000 tonnes.

**Strategic Landbank Unlocking in Butterworth (via STC).** The decommissioning of MSC's legacy Butterworth smelter unlocks c.40 acres of prime waterfront land, which is being redeveloped into Straits City by parent company Straits Trading Company (STC). The project carries an estimated GDV of RM4.6bn, presenting potential upside via land monetisation, capital gains, or strategic JV participation. While non-core, the redevelopment offers a medium-term structural re-rating catalyst for MSC.

**Beneficiary of Global Tin Supply Tightness.** Global tin supply remains structurally constrained due to Myanmar's export ban, ESG-related mining curbs in Indonesia and Africa, and declining ore grades worldwide. As one of the few LME-certified smelters with partial upstream integration via RHT mine, MSC is well-positioned to benefit from tighter spreads, elevated smelting premiums, and rising tin prices. The group's new Pulau Indah facility further enhances its ability to monetise market dislocations through improved efficiency and ESG compliance.

**Leveraging elevated tin prices.** Tin prices surged to a multi-year high of USD37,100/MT (RM170,660/MT) in 1MFY25 on supply disruptions, before easing to USD32,910/MT (RM151,386/MT) in 5MFY25, still well above the 10-year pre-pandemic average of USD20,000-22,000/MT (RM82,000-RM92,400/MT). We project prices to rise by 7% to USD33,990/MT (RM146,000/MT) in FY26F and 5% to USD35,690/MT (RM153,000/MT) in FY27F on sustained demand growth and tight supply. We believe this uptrend will persist, underpinned by persistent supply constraints and robust demand stemming from the proliferation of electric vehicles, increased consumption of electronic devices, and the global push towards ESG-aligned initiatives.

**Valuation & Recommendation.** We initiate coverage on MSC with a **BUY** call and a target price of **RM1.51**, pegged to a 12x PE multiple on FY26F EPS of 12.6 sen and ascribed a three-star ESG rating. The assigned PE multiple reflects a 19.5% discount to the selected smelting peers' average of 14.9x, to account for MSC's smaller market capitalisation and lower trading liquidity compared to its peers.

## Company Background

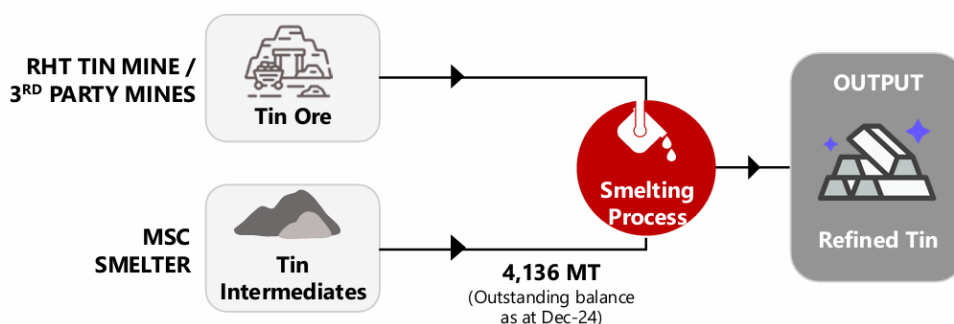
MSC stands as one of the world's largest integrated tin producers, with over a century of operational track record and entrenched positioning across the tin value chain. Upstream, the Group operates the Klian Intan mine in Perak, the country's largest open-pit tin mine with a secured lease through 2034. Downstream, MSC runs one of the world's largest third-party toll smelters, anchored by its modern Pulau Indah facility with nameplate capacity of up to 60,000 tonnes. Global sourcing of tin concentrates underpins MSC's role as a critical supplier in the international tin ecosystem.

Founded in 1902 and listed on Bursa Malaysia in 1994, MSC has progressively transformed into a fully integrated tin producer. Among its key milestones were the acquisition of Rahman Hydraulic Tin (RHT), expansion into Sungai Lembing, and the divestment of Indonesian assets in to refocus on domestic operations. A pivotal development came in 2016 with the acquisition of the Pulau Indah smelter, equipped with Top Submerged Lance (TSL) technology, which delivered c.30% efficiency gains in labour and power costs, further enhanced by solar integration. Today, with utilisation at 60–70%, Pulau Indah stands as the Group's core smelting hub.

## Business Overview

**Business Model.** MSC's operations framework is structured around two core business units: (i) **Tin mining** and (ii) **Tin smelting**.

**Figure 1: Smelting Process Flow**



Source: MSC, Apex Securities

**Tin ore** is a naturally occurring mineral deposit containing tin-bearing minerals, primarily cassiterite ( $\text{SnO}_2$ ). It is extracted directly from tin mines, either from alluvial deposits or hard rock sources, and typically contains varying concentrations of tin. Before it can be used in manufacturing, tin ore undergoes beneficiation to concentrate the tin content, followed by smelting to produce refined tin. This raw material represents the primary feedstock for the tin smelting industry and is a critical driver of production capacity and output.

**Tin intermediates** refer to semi-processed tin-bearing materials or by-products from previous smelting and refining operations. These may include crude tin metal that requires further purification, tin slag with residual recoverable tin content, or recycled tin-bearing scrap from industrial processes. Tin intermediates can be sourced internally from smelters or externally from third parties, and they are reintroduced into the production cycle to maximise tin recovery, enhance operational efficiency, and reduce reliance on raw tin ore.

Figure 2: RHT Tin Mine – Primary Ore Source



Source: MSC, Apex Securities

## Tin Mining

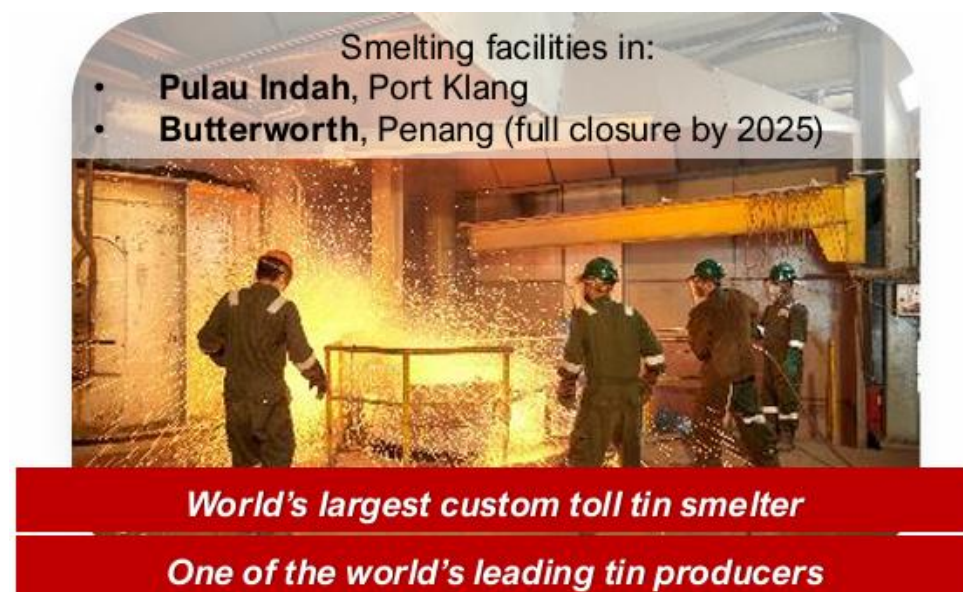
Rahman Hydraulic Tin (RHT), MSC's upstream arm, operates Malaysia's largest hard-rock open-pit tin mine at Klian Intan, Perak, spanning 700 hectares under a mining lease valid until November 2034. In FY24, tin-in-concentrates output climbed 46.1% YoY to 2,516 tonnes (FY23: 1,723 tonnes), supported by stable ore throughput averaging c.10.6 tonnes/day and process efficiency gains.

We understand MSC is advancing several key upgrades to strengthen resilience and enhance yields, including the installation of a new ball mill, construction of a tailings pond, and an Amang processing plant, all slated for completion by 4QFY25. These initiatives are expected to lift daily output by c.5% to around 11.0 tonnes.

Beyond Klian Intan, RHT holds an 80% equity interest in SL Tin, which operates under a 15-year mining lease at Sungai Lembing, Pahang. The mine is currently in its ramp-up phase, with management targeting production of c.1,200 tonnes p.a. Once fully operational, SL Tin should broaden RHT's upstream resource base while providing incremental feedstock security to underpin MSC's integrated smelting operations.

Meanwhile, MSC is also advancing its energy transition agenda with plans to replace its ageing 1.0MW hydropower facility with a solar photovoltaic system. This move should lower long-term energy costs, reduce exposure to fuel price volatility, and enhance MSC's ESG standing with investors and regulators.

Figure 3: Smelting facilities



Source: MSC, Apex Securities

## Tin Smelting

Apart from its tin ore production from the RHT mine, MSC procures tin ores from other mines in Malaysia and the rest of the world to undertake the smelting process. MSC currently has 2 smelting facilities located at (i) Butterworth, Penang and (ii) Pulau Indah, Selangor. Both smelters have an annual production capacity of 60,000 MT each.

In FY24, MSC's Pulau Indah Smelting Facility operated at a utilisation rate of approximately 60%–70%, consistent with the prior year, producing 16,291 MT of refined tin, a 21.4% YoY decreased from 20,722 MT in FY23.

The Pulau Indah smelter utilises state-of-the-art Top Submerged Lance ("TSL") technology, enabling a single-stage smelting process that delivers higher yields, greater operational efficiency, and reduced manpower requirements lowering headcount from 550 to 300 employees. The facility incorporates sustainability-focused features, including a 1.26MWp rooftop solar photovoltaic installation and a waste heat recovery system to capture thermal energy for power generation.

MSC accounts for roughly 20–25% of annual global refined tin supply. Production was temporarily impacted by a two-month scheduled maintenance shutdown from mid-May to mid-July, while feedstock availability tightened as China's stockpiling of tin ore curtailed third-party inflows. At the same time, the broader supply backdrop was further pressured by the suspension of large-scale mining operations in Myanmar and reduced exports from Indonesia amid licensing delays, compounding global supply constraints.

MSC continued to operate the Butterworth smelter to process tin intermediates, which contain recoverable residual tin, enhancing overall margins. The Butterworth facility employs a multi-stage reverberatory furnace process. However, decommissioning is underway, with site clearance and structural dismantling in progress, and full closure targeted by 4QFY25. Upon decommissioning, intermediate feedstock will be redirected to Pulau Indah.

The 40.1-acre Butterworth site comprising 13.9 acres owned by MSC and 26.2 acres by The Straits Trading Company is earmarked for the Straits City masterplan, a large-scale mixed-use development integrating residential, commercial, and lifestyle components.



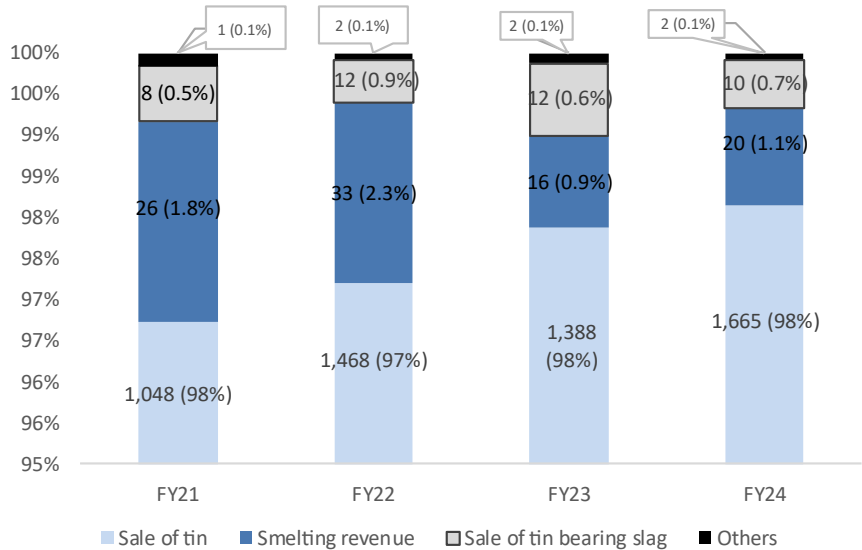
Figure 4: Liquid oxygen tanks



Source: MSC, Apex Securities

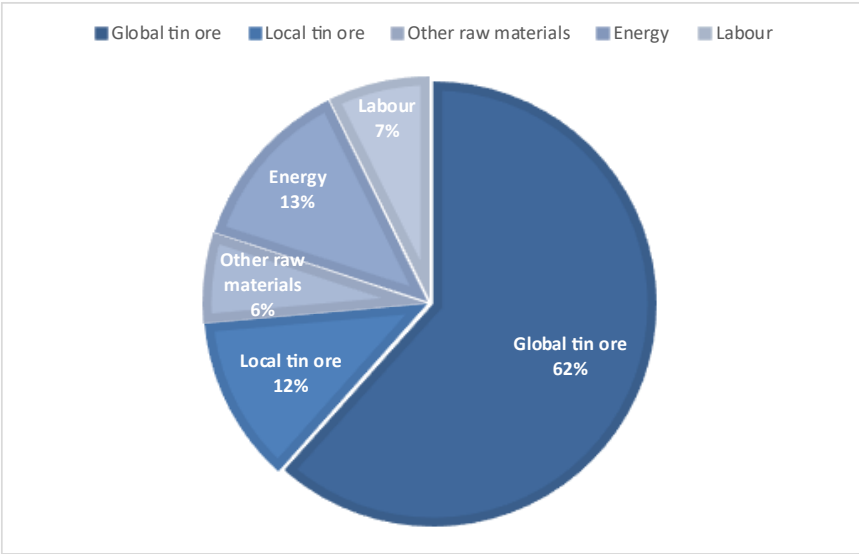
**Revenue breakdown.** Sale of tin is MSC’s primary revenue driver with segmental sales rising from RM1.1bn (98% of total revenue) in FY21 to RM1.7bn in FY24 supported by stronger average tin prices and higher sales volumes. Revenue from smelting is minimally shrinking from 26.0m (1.8%) in FY21 to 29.0m (1.1%) due to lower processing volumes or softer margins from third-party tolling activities. The Group delivered a record-high total revenue of RM1.7bn in FY24, underpinned by an average tin price of USD34,625/MT (RM138,500/MT) compared to USD25,673/MT (RM118,100/MT) in FY23, alongside higher refined tin sales volumes.

Figure 5: Revenue Breakdown by business segment



Source: MSC, Apex Securities

Figure 6: Cost breakdown



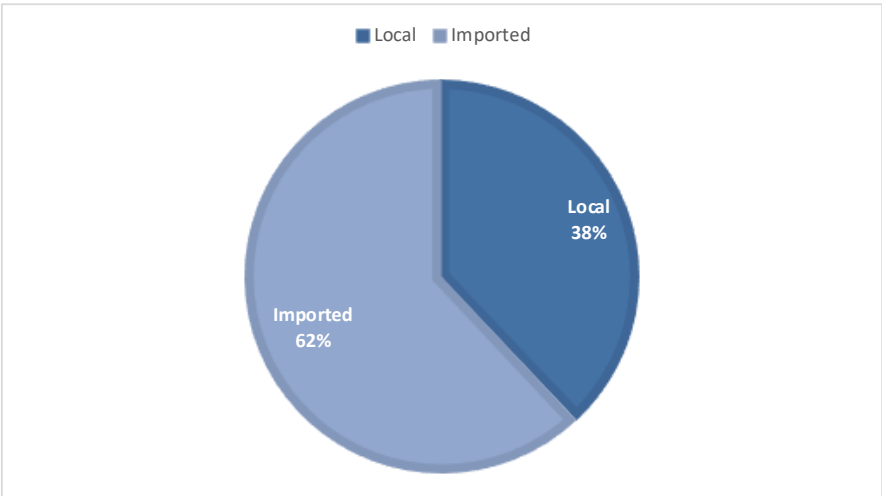
Source: MSC, Apex Securities

**Cost analysis.** Production-related costs remain the dominant component of MSC’s operating expenditure, accounting for approximately 80% of total costs. Within this, raw material procurement primarily tin ore feedstock represents the lion’s share. Specifically, imported tin ore accounts for 62% of COGS, while locally sourced tin ore contributes 12%. Ancillary raw materials make up a further 6%, underscoring the group’s heavy reliance on ore supply.

Energy constitutes the second-largest cost component at 17.7%, driven by a diversified energy mix spanning natural gas, fuel oil, diesel, electricity, and coal. Cost pressures in this segment have intensified amid elevated global LNG and coal benchmark prices, compounded by potential volatility from Malaysia’s domestic gas subsidy rationalisation.

Labour costs comprise 7.3% of total expenses, covering both local and foreign workforce requirements. While regulatory developments around foreign worker quotas and minimum wage adjustments could add incremental pressure to the wage bill in FY25F–FY26F, the impact is expected to remain manageable relative to raw material and energy sensitivities.

Figure 7: Tin Ore Sourcing Breakdown: Local vs. Imported Supply



Source: MSC, Apex Securities

**Shifting Feedstock Mix Amid Myanmar Ban and African Supply Constraints.** MSC's sources its tin ore feedstock through both domestic and international channels. Notably, local ore contributed approximately 38% of total intake, of which RHT Mining accounted for 24%, underscoring a limited domestic ore base.

On the international front, the African region has emerged as MSC's largest external supplier, contributing 28% of imported ore volumes overtaking Myanmar, which historically had been a key source until the imposition of a cross-border export ban. Indonesia (25%) and Australia (17%) follow as major contributors.

However, supply from Africa has seen a notable decline, primarily due to local miners' growing preference to transact directly with Chinese traders who offer immediate cash settlements, shorter turnaround times, and faster cash cycles placing MSC at a competitive disadvantage. The Myanmar government's enforcement of a cross-border trade closure has further exacerbated raw material constraints, effectively halting all tin ore exports to Malaysia.

**Figure 8: Deliveries of Refined Tin from MSC**

Destination	2,020	2,021	2,022	2,023	2,024
Africa	450	100	75	40	70
Australia & New Zealand	50	-	-	-	20
China	1,281	120	1,859	2,276	1,777
EEC	1,244	891	800	1,104	238
India, Pakistan & Bangladesh	625	308	285	-	275
Japan	3,612	4,197	4,587	3,454	3,580
Korea	1,205	1,825	680	1,311	1,370
Middle East	933	425	329	380	495
Taiwan	1,717	774	581	423	414
Rest of Asia Pacific	2,421	480	1,103	1,240	60
USA, Canada & Central America	1,960	1,195	270	904	572
	<b>15,498</b>	<b>10,315</b>	<b>10,569</b>	<b>11,132</b>	<b>8,871</b>
<b>Malaysia</b>					
For domestic consumption*	7,100	5,813	8,148	9,912	7,673
	<b>22,598</b>	<b>16,128</b>	<b>18,717</b>	<b>21,044</b>	<b>16,544</b>

\*Include tin deliveries to LME warehouses in Port Klang

Source: MSC, Apex Securities

**Deliveries and Export Markets.** MSC recorded refined tin deliveries of 18,717 tonnes in FY22, rising 17.3% YoY to 21,944 tonnes in FY23 before easing 24.6% YoY to 16,545 tonnes in FY24. Over the FY22–FY24 period, deliveries contracted at a CAGR of –6.0%, reflecting volatility in output as strong growth momentum in FY23 was offset by lower plant utilisation and weaker demand conditions in FY24.

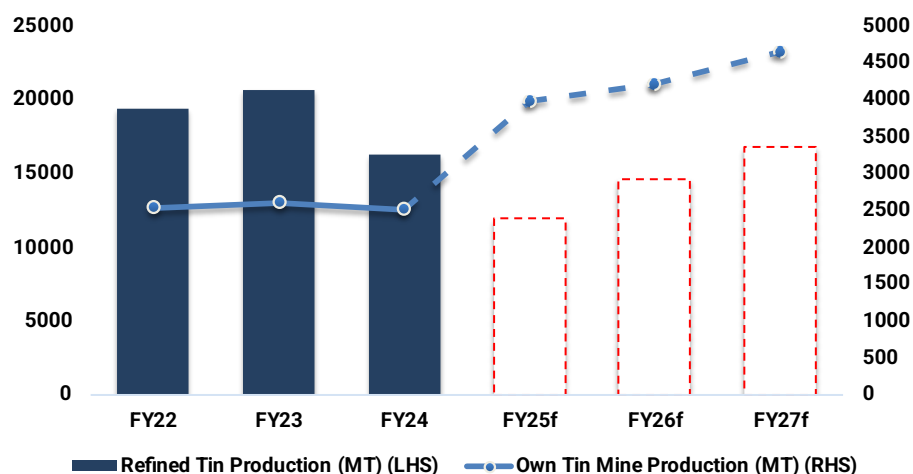
Japan emerged as MSC's largest export market in FY24, accounting for 3,580 tonnes (40% of total exports of 8,872 tonnes). China ranked second with 1,777 tonnes, followed by South Korea at 1,370 tonnes. According to management, sales into Japan are primarily driven by demand from premium downstream customers in the electronics and industrial sectors. Meanwhile, sustained flows into China and Korea reinforce MSC's foothold in key Asian growth markets, ensuring a diversified export base across the region.

However, rising geopolitical and trade headwinds may pose downside risks to forward deliveries. In particular, the escalation of trade tensions between the United States and China, ongoing Russia-Ukraine conflict, and the tightening of EU environmental standards could indirectly influence tin demand dynamics, supply chain reliability, and customer procurement behaviour.

Moreover, ongoing policy discussions around potential tariff realignments in the U.S. and ASEAN's review of intra-regional preferential trade terms may impact cost competitiveness of Malaysian refined tin in certain jurisdictions. For instance, any revision in Malaysia's current zero-tariff preferential treatment under ASEAN-China FTA or EU GSP+ eligibility may dampen export margins. In addition, political transitions or instability in key buyer markets (e.g., Thailand's tariff posture or India's evolving import substitution policies) warrant close monitoring.

Nonetheless, MSC's strategic positioning anchored by consistent delivery reliability, LME-compliant production, and strong ESG alignment positions the Group to weather near-term uncertainties. Should MSC continue securing offtake agreements with long-term buyers in stable, high-growth markets, refined tin exports are poised to sustain momentum in 2024, subject to tin price volatility and macro trade policy evolution.

**Figure 9: Historical & forecasted tin production in mt**



Source: MSC, Apex Securities

**Production Trends.** MSC's refined tin production rose 6.9% in FY23 to its highest level in the observed period, before declining in FY24. The downtrend is projected to persist into FY25F, as performance was weighed down by tighter third-party ore feedstock supply, exacerbated by Chinese stockpiling activities. From FY26F onwards, output is anticipated to stabilise and gradually improve by FY27F, supported by better plant utilisation at Pulau Indah and improved input supply.

MSC's own tin mine production is forecasted to steadily rise from FY25F to FY27F, reflecting greater reliance on in-house ore supply, reduced dependency on third-party sources, and management's upstream integration strategy.

In FY24, RHT produced 2,516 tonnes of tin-in-concentrates. Despite the slight decline, operational stability remains intact, with average daily output reaching c.11 tonnes per day. RHT's contribution has become increasingly strategic to MSC's upstream integration efforts, accounting for approximately 16% of MSC's total smelting feedstock during the year up from around 10% in prior periods. The remainder of MSC's feedstock was sourced from third-party miners, traders, and artisanal sources.



## Industry overview

**Figure 10: Average LME Tin Price**

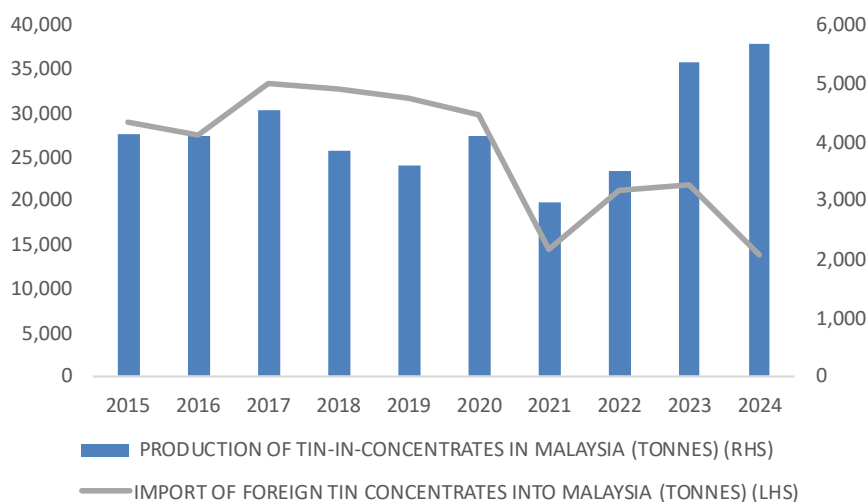


Source: Bloomberg, Apex Securities

**Tin Prices Anchored by Demand Growth and Supply Constraints.** Following the historical tin price spike in FY22, LME tin prices moderated in FY23 and have since stabilised. In FY24, prices rebounded modestly, with average LME tin prices estimated at USD30,254/MT (RM139,168/MT), approximately based on an exchange rate of USD/MYR 4.60. This marks a return to a more sustainable price band after the extreme volatility of the past two years. The recovery was underpinned by steady downstream demand, particularly from the electronics, electric vehicle (EV), and solar photovoltaic (PV) sectors, alongside tight global supply conditions.

Looking ahead, tin prices are projected to average around USD32,300/MT (RM139,200/MT) in FY25F, broadly in line with recent LME spot levels and consensus market commentary. According to the International Tin Association (ITA), a refined tin deficit is expected in 2025, driven by constrained mine supply and steady demand from electronics, EVs, and solar applications. Building on this structural tightness, we model prices to increase by c.7% to USD33,990/MT (RM146,200/MT) in FY26F and a further 5% to USD35,590/MT (RM153,000/MT) in FY27F.

**Figure 11: Production of tin in concentrates in Malaysia vs Import of foreign tin concentrates into Malaysia.**



Source: MSC, Apex Securities

Malaysia's tin sector is showing signs of a strong recovery, with local tin-in-concentrates production increasing at a CAGR of 24.3% from 2,975 tonnes in FY21 to 5,707 tonnes in FY24. This rebound reflects renewed mining activity, improved efficiencies, and potentially stronger regulatory or price support. At the same time, imports of foreign tin concentrates have declined from 14,486 tonnes to 13,824 tonnes (-1.5% CAGR).

The narrowing gap between production and imports signals a structural shift in Malaysia's tin supply chain. In FY21, local tin-in-concentrates accounted for just 17.0% of total feedstock requirements (2,975 tonnes out of 17,461 tonnes sourced). By FY24, this share had risen to 29.2% (5,707 tonnes out of 19,531 tonnes). The rising contribution of domestic ore highlights reduced reliance on imports and stronger supply security. Over time, this trend could attract greater government incentives for upstream mining activity.

## Investment Highlights

**Largest local integrated tin mining and smelting player.** With end-to-end control from mining to smelting, MSC operates through its wholly owned Rahman Hydraulic Tin (RHT) mine in Klian Intan Perak, the country's largest and oldest active tin mine, spanning 267.3 hectares. MSC secures long-term ore supply under a lease valid until November 2034. The mine produced 2,703 mt of tin-in-concentrate in FY23, supported by process improvements and a 1.0 MW on-site hydropower station. This upstream integration supports MSC's position as one of the world's top 10 tin producers, with total refined tin production of 68,000 tonnes and 16,291 tonnes of LME-certified refined tin output in FY24, reinforcing its strategic role in global supply chains amid tightening ore availability and ESG-driven traceability demands.

**Strategic Landbank Unlocking in Butterworth (via STC).** The decommissioning of MSC's legacy Butterworth smelter unlocks c.40 acres of prime waterfront land, currently being redeveloped into Straits City by parent company Straits Trading Company (STC). The project carries an estimated GDV of RM4.bn, presenting potential upside via land monetisation, capital gains, or strategic JV participation. While non-core, the redevelopment offers a structural re-rating catalyst for MSC over the medium term.

**Beneficiary of Global Tin Supply Tightness.** Global tin supply remains constrained due to Myanmar's export ban previously accounting for over 10% of global supply alongside ESG-related mining restrictions in Indonesia and Africa, and declining ore grades globally. As one of the few LME-certified smelters with upstream integration via its RHT mine, which supplies approximately 24% of MSC's ore feed, the group is strategically positioned to capitalise on tighter treatment spreads, elevated smelting premiums, and structurally higher tin prices. Its new Pulau Indah smelter, which is 30% more energy-efficient than the legacy Butterworth facility, further strengthens MSC's ability to monetise market dislocations through operational efficiency and enhanced ESG compliance.

**Leveraging onto elevated tin prices.** Tin prices surged to a multi-year high of USD37,100/MT (RM170,660/MT) in 1MFY25 on supply disruptions, before easing to USD32,910/MT (RM151.386/MT) in 5MFY25, still well above the 10-year pre-pandemic average of USD20,000-22,000/MT (RM82,000-RM92,400/MT). We project prices to rise by 7% to USD33,990/MT (RM146,000/MT) in FY26F and 5% to USD35,690/MT (RM153,000/MT) in FY27F on sustained demand growth and tight supply. We believe this uptrend will persist, underpinned by persistent supply constraints and robust demand stemming from the proliferation of electric vehicles, increased consumption of electronic devices, and the global push towards ESG-aligned initiatives.

## Financial Highlights

MSC's revenue rebounded 18% YoY to RM1.7bn in FY24, led by higher average tin price of USD30,100/MT (RM138,500/MT) vs. USD25,700/MT (RM118,100/MT) in FY23 and increased refined tin sales volume. However, core earnings declined 7% YoY to RM79.4m, driven by lower refined tin sales from processed intermediates and tighter ore inflows amid China's stockpiling activities. In comparison, FY23 performance had been weighed down by foreign exchange losses, the absence of refined tin sales from intermediates, and lower by-product contributions.

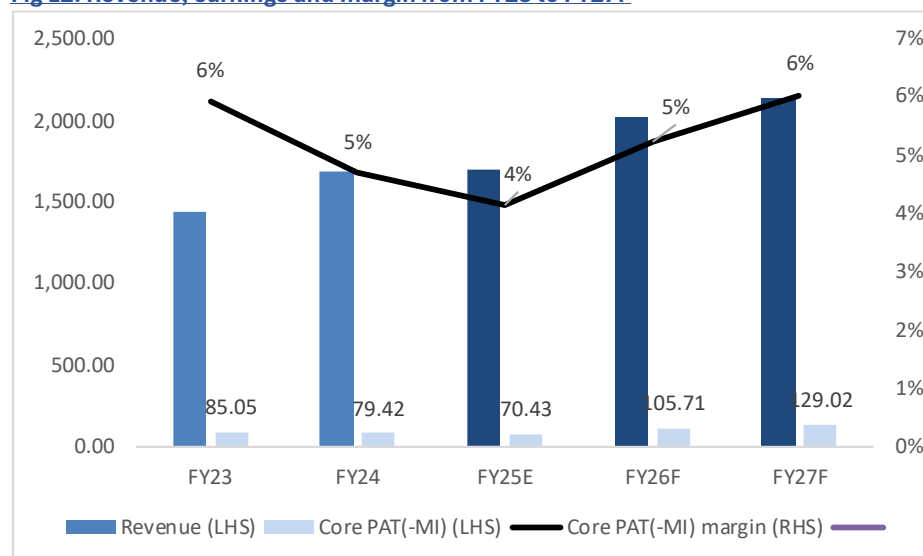
2HFY25 core net earning declining to RM13.9m (vs. RM16.7m in 2QFY24), largely on lower refined tin sales and weaker average tin prices of RM139,800/MT (USD30,400/MT) versus RM153,400/MT (USD33,350/MT) a year earlier. Revenue contracted 7.8% YoY to RM379.0m. Performance was weighed by tighter third-party feedstock supply amid Chinese stockpiling and unplanned downtime at Pulau Indah, exacerbated by a three-month gas outage (Apr–Jun 2025) following the Putra Heights pipeline fire which disrupted TSL furnace operations.

**Dividends.** MSC has formalised a 30% dividend payout of profit after tax to shareholders. In FY24, the Group declared dividends of 31.0 sen per ordinary share, amounting to RM130.2m. We forecast the payout ratio to be maintained at 30% in FY25F–FY27F, translating into an attractive dividend yield of 4.1%–7.6%. Notably, MSC has consistently exceeded its policy benchmark, delivering payouts of over 40% for two consecutive years

**Earnings Outlook.** We forecast FY25F CNP to moderate to RM70.4m, reflecting tighter feedstock availability and downtime at the Pulau Indah smelter.

**FY26F-FY27F:** MSC's CNP is projected to jump by 50% YoY and 22% YoY to RM105.7m and RM129m in FY26F/FY27F respectively. Key earnings drivers include (i) stable output levels supported by consistent mining and smelting operations, (ii) favourable metal price environment that, while moderating, remains above long-term averages, and (iii) ongoing cost optimisation initiatives to mitigate input price volatility. Our projections currently exclude potential upside from any new resource discoveries or expansions in processing capacity, which could provide additional earnings catalysts.

**Fig 12: Revenue, earnings and margin from FY23 to FY27F**



Source: MSC, Apex Securities

## Sensitivity Analysis

**Foreign Exchange Sensitivity Analysis.** Given that tin prices are priced in USD, fluctuations in USD/MYR rate may invariably impact margins and bottom line. We gather that tin cost constitutes to c.80% of total material cost for MSC's smelting mine. Assuming all else being equal and should tin price fluctuated by 7.0%, we expect bottom line to be impacted by a magnitude of +/- RM50 for the period FY25F-FY26F.

**Fig 13: Earnings (RM m) sensitivity based on fluctuations of USD/MYR exchange rate and tin price.**

		USD/MYR						
		4	4.1	4.2	4.6	4.7	4.8	4.9
Tin price	367.60							
	28,164	- 57.63	- 24.60	8.44	140.58	173.61	206.65	239.68
	29,035	- 16.77	17.29	51.35	187.58	221.63	255.69	289.75
	29,933	25.37	60.48	95.59	236.03	271.14	306.25	341.36
	30,859	68.80	105.00	141.20	285.98	322.18	358.37	394.57
	31,785	112.24	149.52	186.80	335.93	373.21	410.50	447.78
	32,738	156.98	195.38	233.78	387.38	425.78	464.18	502.58
	33,721	203.06	242.61	282.16	440.37	479.93	519.48	559.03
	34,732	250.52	291.26	332.00	494.96	535.69	576.43	617.17
	35,774	299.41	341.37	383.33	551.18	593.14	635.10	677.06
	36,847	349.76	392.98	436.20	609.08	652.30	695.52	738.74

Source: MSC, Apex Securities

**Fig 14: Percentage Change in Earnings Based on Sensitivity to USD/MYR exchange rate and tin price.**

		USD/MYR						
		4	4.1	4.2	4.6	4.7	4.8	4.9
Tin price	367.60							
	28,164	-120%	-109%	-97%	-51%	-39%	-28%	-16%
	29,035	-106%	-94%	-82%	-34%	-23%	-11%	1%
	29,933	-91%	-79%	-67%	-17%	-5%	7%	19%
	30,859	-76%	-63%	-51%	0%	13%	25%	38%
	31,785	-61%	-48%	-35%	17%	31%	44%	57%
	32,738	-45%	-32%	-18%	35%	49%	62%	76%
	33,721	-29%	-15%	-1%	54%	68%	82%	95%
	34,732	-12%	2%	16%	73%	87%	102%	116%
	35,774	5%	19%	34%	93%	107%	122%	137%
	36,847	22%	37%	53%	113%	128%	143%	158%

Source: MSC, Apex Securities



## Valuation & Recommendation

**Initiation Coverage.** We initiate coverage on MSC with a **BUY** call and a target price of **RM1.51**, pegged to a 12x PE multiple on FY26F EPS of 12.6 sen, and ascribed a three-star ESG rating. While the selected peer's average of 14.9x FY26F PE. We apply a 19.5% discount to reflect MSC's smaller market capitalisation, limited liquidity, and single-commodity exposure, as well as its net debt position versus global peers with stronger balance sheets. Nevertheless, MSC's position as one of the world's largest integrated tin producers, coupled with stable margins and favourable tin market fundamentals, underpins a valuation multiple that remains attractive on both absolute and relative terms.

## Peers Comparison

Given the absence of direct listed peers in the tin smelting and mining space, we benchmark MSC against a mix of local commodity producers and selected global metal smelters/miners.

Company	FYE	Currency	Market cap (USD b)	Price(USD) as at 8Sep25	P/E (x)		P/B (x)		Div Yield (%)	
					CY26	CY27	CY26	CY27	CY26	CY27
<b>MSC Bhd</b>	<b>Dec</b>	<b>MYR</b>	<b>USD 0.2b</b>	<b>0.29</b>	<b>9.8</b>	<b>8.0</b>	<b>1.2</b>	<b>1.1</b>	<b>6.1</b>	<b>7.5</b>
PMAH Bhd*	Dec	MYR	USD 10.7b	1.32	21.3	19.6	4.1	3.6	1.7	1.8
Norsk Hydro Asa*	Dec	NOK	USD 13.2b	6.66	10.5	9.4	1.2	1.1	5.4	6.2
Alcoa Corp*	Dec	USD	USD 8.2b	31.83	12.9	10.7	1.2	1.1	1.3	1.3
<b>Average ex-MSC BHD</b>					<b>14.9</b>	<b>13.2</b>	<b>2.2</b>	<b>1.9</b>		

\* Based on Bloomberg consensus

Source: Bloomberg, Apex Securities

## Investment Risk

**Commodity Price Volatility.** MSC's earnings and margins are highly sensitive to fluctuations in tin prices. Any sharp decline in tin prices can adversely impact average selling prices (ASPs) and profitability.

**Foreign Exchange Exposure.** MSC sources raw materials globally in USD while reporting earnings in RM, making its profitability vulnerable to FX swings. A weaker Ringgit can erode cost advantage or vice versa.

**Cost overruns.** Rising variable costs, such as labour, energy, and raw material expenses, particularly in mining and smelting operations, could erode margins and reduce profitability, especially under long-term or fixed-price supply agreements.

# Initiation Coverage

Tuesday, 09 Sep, 2025

**BURSA RISE+**  
Brought to you by Bursa Malaysia  
Supported by Capital Market Development Fund



## Financial Highlights

### Income Statement

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
<b>Revenue</b>	<b>1,435.7</b>	<b>1,691.8</b>	<b>1,702.0</b>	<b>2,013.1</b>	<b>2,134.9</b>
<b>Gross Profit</b>	<b>221.6</b>	<b>243.7</b>	<b>244.9</b>	<b>315.1</b>	<b>359.0</b>
<b>EBITDA</b>	<b>158.8</b>	<b>165.1</b>	<b>152.8</b>	<b>205.2</b>	<b>240.0</b>
Depreciation & Amortisation	-12.9	-13.6	-14.4	-15.3	-16.2
<b>EBIT</b>	<b>145.9</b>	<b>151.5</b>	<b>138.4</b>	<b>189.9</b>	<b>223.7</b>
Net Finance Income/ (Cost)	-17.9	-19.2	-19.1	-20.9	-21.9
Associates & JV	0.7	-0.2	-0.2	-0.2	-0.2
<b>Pre-tax Profit</b>	<b>128.6</b>	<b>132.0</b>	<b>119.1</b>	<b>168.8</b>	<b>201.6</b>
Tax	-31.4	-38.5	-34.5	-48.9	-58.5
<b>Profit After Tax</b>	<b>97.2</b>	<b>93.5</b>	<b>84.5</b>	<b>119.8</b>	<b>143.1</b>
Minority Interest	12.2	14.1	14.1	14.1	14.1
<b>Net Profit</b>	<b>85.1</b>	<b>79.4</b>	<b>70.4</b>	<b>105.7</b>	<b>129.0</b>
Exceptionals	0.0	0.0	0.0	0.0	0.0
<b>Core Net Profit</b>	<b>85.1</b>	<b>79.4</b>	<b>70.4</b>	<b>105.7</b>	<b>129.0</b>

### Key Ratios

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	9.5	9.5	8.4	12.6	15.4
P/E(x)	12.1	13.0	14.7	9.8	8.0
P/B(x)	1.6	1.6	1.4	1.2	1.1
EV/EBITDA(x)	5.3	10.6	10.3	10.3	10.0
DPS (sen)	14.0	31.0	5.0	7.6	9.2
Dividend Yield (%)	11.4%	25.2%	4.1%	6.1%	7.5%
EBITDA margin (%)	9.8%	9.8%	9.0%	10.2%	11.2%
EBIT margin (%)	9.0%	9.0%	8.1%	9.4%	10.5%
PBT margin (%)	7.8%	7.8%	7.0%	8.4%	9.4%
PAT margin (%)	5.5%	5.5%	5.0%	6.0%	6.7%
NP margin (%)	4.7%	4.7%	4.1%	5.3%	6.0%
CNP margin (%)	4.7%	4.7%	4.1%	5.3%	6.0%
ROE(%)	10.2%	10.2%	7.6%	10.2%	10.9%
ROA (%)	5.8%	5.8%	4.6%	6.2%	6.9%
Gearing (%)	47.9%	47.9%	44.4%	41.8%	38.3%
Net gearing (%)	20.6%	20.6%	34.7%	13.8%	5.8%

Valuations	FY26F
Core EPS (RM)	0.126
P/E multiple (x)	12.0
<b>Fair value (RM)</b>	<b>1.51</b>
ESG premium/discount	0.0%
<b>Implied Fair Value (RM)</b>	<b>1.51</b>

Source: Company, Apex Securities

### Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	264.2	211.8	89.6	289.1	382.5
Receivables	43.7	38.1	41.0	41.7	42.9
Inventories	595.2	615.8	883.9	827.1	881.4
Other current assets	5.4	14.8	14.8	14.8	14.8
<b>Total Current Assets</b>	<b>908.5</b>	<b>880.7</b>	<b>1,029.3</b>	<b>1,172.7</b>	<b>1,321.6</b>
Fixed Assets	250.1	261.9	296.3	311.9	331.3
Intangibles	142.4	142.3	142.3	142.3	142.3
Other non-current assets	90.6	79.0	79.0	79.0	79.0
<b>Total Non-Current Assets</b>	<b>483.1</b>	<b>483.2</b>	<b>517.6</b>	<b>533.1</b>	<b>552.5</b>
Short-term debt	317.9	343.5	383.5	403.5	423.5
Payables	127.7	124.6	116.1	150.6	151.1
Other current liabilities	7.0	20.9	10.0	10.0	10.0
<b>Total Current Liabilities</b>	<b>452.5</b>	<b>489.0</b>	<b>509.6</b>	<b>564.1</b>	<b>584.6</b>
Long-term debt	42.2	27.8	27.8	27.8	27.8
Other non-current liabilities	80.4	71.5	82.5	82.5	82.5
<b>Total Non-Current Liabilities</b>	<b>122.6</b>	<b>99.3</b>	<b>110.2</b>	<b>110.2</b>	<b>110.2</b>
Shareholder's equity	816.5	775.5	927.1	1,031.5	1,179.4
Minority interest	0.0	0.0	0.0	0.0	0.0
<b>Total Equity</b>	<b>816.5</b>	<b>775.5</b>	<b>927.1</b>	<b>1,031.5</b>	<b>1,179.4</b>

### Cash Flow

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
<b>Pre-tax profit</b>	<b>128.6</b>	<b>132.0</b>	<b>168.8</b>	<b>201.6</b>	<b>289.0</b>
Depreciation & amortisation	12.9	13.6	15.3	16.2	17.1
Changes in working capital	203.7	147.4	-291.8	90.6	-55.1
Others	-177.4	-209.1	-48.9	-58.5	-83.8
<b>Operating cash flow</b>	<b>167.8</b>	<b>83.9</b>	<b>-156.7</b>	<b>250.0</b>	<b>167.3</b>
Capex	-15.3	-19.0	-32.8	-31.8	-36.5
Others	6.9	21.8	0.0	0.0	0.0
<b>Investing cash flow</b>	<b>-8.4</b>	<b>2.9</b>	<b>-32.8</b>	<b>-31.8</b>	<b>-36.5</b>
Dividends paid	-58.8	-130.2	-31.7	-38.7	-57.3
Others	13.4	-8.6	20.0	20.0	20.0
<b>Financing cash flow</b>	<b>-45.4</b>	<b>-138.8</b>	<b>-11.7</b>	<b>-18.7</b>	<b>-37.3</b>
<b>Net cash flow</b>	<b>114.1</b>	<b>-52.1</b>	<b>-201.3</b>	<b>199.5</b>	<b>93.4</b>
Forex	-1.1	-0.3	0.0	0.0	0.0
Others	-1.0	0.0	0.0	0.0	0.0
Beginning cash	151.2	264.2	290.8	89.6	289.1
<b>Ending cash</b>	<b>264.2</b>	<b>211.8</b>	<b>89.6</b>	<b>289.1</b>	<b>382.5</b>

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Scope 1 emissions reduced by 8% to 117,212.7 tCO <sub>2</sub> e in FY2024; flaring emissions also declined to 36,312.6 tCO <sub>2</sub> e.
Waste & Effluent	★★★	Waste management aligns with industry standards and regulatory requirements as well as minimise environmental impact.
Energy	★★★	Energy consumption increases by 7.2% in FY24
Water	★★★	Water consumption rose 4.2% yoy to 1,953,271m3 in FY24
Compliance	★★★	In compliance with local and international environmental regulations

Social

Diversity	★★	91.7% of average employees age below 40, 30.5% of female directors on the Board
Human Rights	★★★	Enforce and adopts Code of Ethics and Conduct
Occupational Safety and Health	★★★	Formal grievance mechanism in place; strong zero-incident policies and health & safety oversight
Labour Practices	★★★	Fully compliant with labour standards; no violations in FY24

Governance

CSR Strategy	★★★★	Invested RM215k in community initiatives scholarships, internships, school awards, health clinics, sports, cultural events benefiting 116 individuals.
Management	★★	Average board members age @51, 28.6%, 2/9 female board composition
Stakeholders	★★★	Regularly organizes corporate events and holds an annual general meeting (AGM) for investors

Overall ESG Scoring: ★★★

# Initiation Coverage

Tuesday, 09 Sep, 2025

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## Recommendation Framework:

**BUY:** Total returns\* are expected to exceed 10% within the next 12 months.

**HOLD:** Total returns\* are expected to be within +10% to – 10% within the next 12 months.

**SELL:** Total returns\* are expected to be below -10% within the next 12 months.

**TRADING BUY:** Total returns\* are expected to exceed 10% within the next 3 months.

**TRADING SELL:** Total returns\* are expected to be below -10% within the next 3 months.

\*Capital gain + dividend yield

## Sector Recommendations:

**OVERWEIGHT:** The industry defined by the analyst is expected to exceed 10% within the next 12 months.

**NEUTRAL:** The industry defined by the analyst is expected to be within +10% to – 10% within the next 12 months.

**UNDERWEIGHT:** The industry defined by the analyst, is expected to be below -10% within the next 12 months.

## ESG Rating Framework:

★★★★★ : Appraised with 3% premium to fundamental fair value

★★★★ : Appraised with 1% premium to fundamental fair value

★★★ : Appraised with 0% premium/discount to fundamental fair value

★★ : Appraised with -1% discount to fundamental fair value

★ : Appraised with -5% discount to fundamental fair value

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(a) nil.