

## Team Coverage

(603) 7890 8888

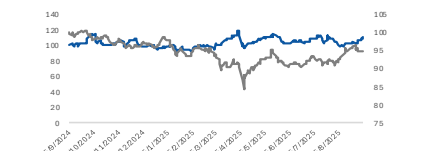
[research.dept@apexsecurities.com.my](mailto:research.dept@apexsecurities.com.my)

<b>Recommendation:</b>	<b>BUY</b>
Current Price:	RM 1.57
Previous Target Price:	RM 1.70
Target Price:	↔ RM 1.70
Capital Upside/Downside:	8.3%
Dividend Yield (%):	8.8%
<b>Total Upside/Downside:</b>	<b>17.1%</b>

<b>Stock information</b>	
Board	MAIN
Sector	Industrial products & services
Bursa / Bloomberg Code	5916 / SMELTMK
Syariah Compliant	Yes
ESGRating	★★★
Shares issued (m)	840.0
Market Cap (RM' m)	1,318.8
52-Week Price Range (RM)	1.59-1.01
Beta (x)	1.4
Free float (%)	64.3
3M Average Volume (m)	1.4
3M Average Value (RM' m)	2.0

<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 (%)	7.5	26.6	40.2
Relative (%)	7.5	23.2	38.8

<b>Earnings Summary</b>			
<b>FYE Dec (RM' m)</b>	<b>FY24</b>	<b>FY25F</b>	<b>FY26F</b>
Revenue	1,691.8	1,480.8	1,875.9
PATAMI	79.4	52.7	118.8
CNP	79.4	52.7	118.8
Core EPS (sen)	9.5	6.3	14.1
PE (x)	16.6	25.0	11.1

Source: Company, Apex Securities

# MSC Berhad

## Operational Disruption at RHT; BUY Thesis Unchanged

- RHT was temporarily shut for 3-weeks due to the Sungai Perak river issue. Operations are expected to resume in early-Dec following the shutdown.
- Incremental c.3 t/day from sand and tailings recovery is targeted over a 3–6month ramp-up (by 2QFY26).
- Decommissioning is progressing and is expected to structurally lower costs once smelting fully consolidates at Pulau Indah.
- Earnings unchanged, as FY25 earnings remain within expectations despite the RHT shutdown.
- Maintain a BUY call with an unchanged target price of RM1.70, based on a 12x FY26F P/E applied to an EPS of 14.1sen.

We left MSC's analyst briefing with the following key takeaways:

**Stable 9M25 margin.** MSC's PBT margin expanded marginally by 0.2ppt YoY to 6.8% in 9MFY25 (vs 6.6% in 9MFY24), supported by stronger performance from the tin mining segment, which recorded a PBT of RM91.3m in 9MFY25 compared with RM83.4m in 9MFY24, mainly due to higher tin production volumes. However, the smelting division weakened materially as refined tin sales volumes declined following the gas-pipeline incident in 2QFY25, which disrupted Pulau Indah operations and led to a temporary shutdown. The resulting production shortfall drove Tin Smelting PBT to deteriorate from RM5.8m to a loss of RM5.3m, despite a modest improvement in average tin prices.

**Sungai Perak & RHT Shutdown.** RHT was shut for approximately three weeks following the Sungai Perak river discolouration, alongside neighbouring mines as a precautionary measure. Management attributed the incident to heavy rainfall and elevated natural mineral runoff, though no conclusive source identified, and reiterated that RHT operates a closed-loop water system. Mining is expected to resume around 4–5 December. Based on a c.3-week disruption and an assumed c.11 t/day run-rate, we estimate RHT's 4QFY25 production could decline by c.20–25%, translating into a single-digit impact on group refined tin output, with limited full-year impact as 9MFY25 volumes already account for 80% of FY25 forecasts. The sand and tailings plant is expected to be commissioned shortly after resumption, targeting c.3 t/day of incremental output over a 3–6 month ramp-up or (by 2QFY26).

**Ore Supply & Inventory Dynamics.** Ore intake remains approximately 25% lower YoY, largely due to tight global supply conditions. Management expects a gradual improvement in feedstock availability as mining activity normalises in Myanmar and Indonesia, alongside new supply from Tasmania, Australia, where one supplier has already committed a minimum of 4,000 tonnes annually to MSC. Inventory is carried at weighted-average cost, which continues to rise in tandem with elevated LME tin prices. As at 3QFY25, tin stock stood at c.5,932 MT, comprising 2,753 MT of intermediates and c.3,200 MT of refined tin valued near prevailing spot prices. Tin intermediates carry a significantly lower implied valuation of c.USD20,000/t, well below current tin prices. As MSC continues to procure new ore and tin at higher prices, the weighted-average inventory cost trends upwards. Hence, inventory value cannot be directly inferred from flat price assumptions versus last year.

**New Mining Technology & REE Co-Mining.** MSC is testing a borehole and airlift mining method to extract ore without open pits or tunnelling. While technically viable, the project remains in the testing phase across different geological conditions, with no commercial timeline committed, as management adopts a cautious approach following the river incident. In parallel, MSC is exploring rare earth co-mining from residual material after tin extraction to generate dual revenue streams from a single mining cost base. Capital requirements are described as modest, with no production or timeline guidance at this stage.

**Butterworth Decommissioning.** The decommissioning of the Butterworth smelter remains on track for completion by end-December 2025. Upon full closure, MSC will remove duplicated overheads previously incurred alongside Pulau Indah operations and transition to a structurally leaner cost base, supported by a significantly lower labour requirement. Management expects the full cost savings from this rationalisation to be fully reflected from FY26 onwards.

**Earnings revision.** We maintain our earnings forecast, as MSC's FY25 performance is still expected to fall within our projections. The temporary shutdown of RHT does not materially affect our estimates, given that conservative assumptions on tin ore output are already embedded in our model.

**Valuation.** We maintain a **BUY** call on MSC with an unchanged target price of **RM1.70**, derived from a 12x FY26F EPS of 14.1sen and an ascribed three-star ESG rating. Our investment case continues to be underpinned by (i) **improving ore visibility and incremental tailings contribution**, (ii) **structural efficiency gains as smelting fully consolidates at Pulau Indah**, and (iii) **MSC's entrenched position as the world's largest independent tin smelter**.

**Risks.** Tin price volatility, feedstock supply disruption, and commissioning delays at the sand-tailings plant may weigh on earnings and margin recovery.

## 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>1,480.8</b>	<b>1,875.9</b>	<b>2,026.0</b>
<b>Gross Profit</b>	<b>221.6</b>	<b>243.7</b>	<b>206.5</b>	<b>325.9</b>	<b>359.7</b>
<b>EBITDA</b>	<b>158.8</b>	<b>165.1</b>	<b>127.3</b>	<b>221.7</b>	<b>246.3</b>
Depreciation & Amortisation	-12.9	-13.6	-14.4	-14.9	-15.5
<b>EBIT</b>	<b>145.9</b>	<b>151.5</b>	<b>112.9</b>	<b>206.8</b>	<b>230.8</b>
Net Finance Income/ (Cost)	-17.9	-19.2	-18.6	-19.3	-19.3
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>94.1</b>	<b>187.3</b>	<b>211.2</b>
Tax	-31.4	-38.5	-27.3	-54.3	-61.3
<b>Profit After Tax</b>	<b>97.2</b>	<b>93.5</b>	<b>66.8</b>	<b>132.9</b>	<b>150.0</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>52.7</b>	<b>118.8</b>	<b>135.9</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>52.7</b>	<b>118.8</b>	<b>135.9</b>

## Key Ratios

FYE Dec	FY23	FY24	FY25F	FY26F	FY27F
EPS (sen)	9.5	9.5	6.3	14.1	16.2
P/E(x)	15.5	16.6	25.0	11.1	9.7
P/B(x)	2.7	2.7	2.7	2.6	2.6
EV/EBITDA(x)	7.7	7.0	8.6	5.1	4.9
DPS (sen)	14.0	31.0	7.8	13.9	15.9
Dividend Yield (%)	8.9%	19.7%	5.0%	8.8%	10.1%
EBITDA margin (%)	11.1%	9.8%	8.6%	11.8%	12.2%
EBIT margin (%)	10.2%	9.0%	7.6%	11.0%	11.4%
PBT margin (%)	9.0%	7.8%	6.4%	10.0%	10.4%
PAT margin (%)	6.8%	5.5%	4.5%	7.1%	7.4%
NP margin (%)	5.9%	4.7%	3.6%	6.3%	6.7%
CNP margin (%)	5.9%	4.7%	3.6%	6.3%	6.7%
ROE (%)	10.4%	10.2%	6.8%	15.0%	16.8%
ROA (%)	6.1%	5.8%	3.9%	8.6%	9.6%
Gearing (%)	44.1%	47.9%	47.8%	46.8%	45.9%
Net gearing (%)	11.7%	20.6%	28.5%	23.0%	15.0%

Valuations	FY26F
Core EPS (RM)	0.141
P/E multiple (x)	12.0
<b>Fair value (RM)</b>	<b>1.70</b>
ESG premium/ discount	0.0%
<b>Implied Fair Value (RM)</b>	<b>1.70</b>

Source: Company, Apex Securities

## Balance Sheet

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash	264.2	211.8	150.0	189.0	249.5
Receivables	43.7	38.1	38.1	39.3	40.0
Inventories	595.2	615.8	645.9	637.0	593.5
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>848.8</b>	<b>880.1</b>	<b>897.8</b>
Fixed Assets	250.1	261.9	272.4	283.4	294.9
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>493.7</b>	<b>504.7</b>	<b>516.2</b>
Short-term debt	317.9	343.5	343.5	343.5	343.5
Payables	127.7	124.6	102.3	128.1	140.5
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>455.7</b>	<b>481.6</b>	<b>494.0</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	776.5	793.0	809.8
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>776.5</b>	<b>793.0</b>	<b>809.8</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>94.1</b>	<b>187.3</b>	<b>211.2</b>
Depreciation & amortisation	12.9	13.6	14.4	14.9	15.5
Changes in working capital	203.7	147.4	-52.3	33.6	55.1
Others	-177.4	-209.1	-27.3	-54.3	-61.3
<b>Operating cash flow</b>	<b>167.8</b>	<b>83.9</b>	<b>28.9</b>	<b>181.5</b>	<b>220.7</b>
Capex	-15.3	-19.0	-24.9	-26.0	-27.0
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>-24.9</b>	<b>-26.0</b>	<b>-27.0</b>
Dividends paid	-58.8	-130.2	-65.9	-116.5	-133.2
Others	13.4	-8.6	0.0	0.0	0.0
<b>Financing cash flow</b>	<b>-45.4</b>	<b>-138.8</b>	<b>-65.9</b>	<b>-116.5</b>	<b>-133.2</b>
<b>Net cash flow</b>	<b>114.1</b>	<b>-52.1</b>	<b>-61.9</b>	<b>39.0</b>	<b>60.5</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	211.8	150.0	189.0
<b>Ending cash</b>	<b>264.2</b>	<b>211.8</b>	<b>150.0</b>	<b>189.0</b>	<b>249.5</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	★★★	The Group complies with all 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: ★★★

## 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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As of **Thursday, 04 Dec, 2025**, the analyst(s), whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) nil.