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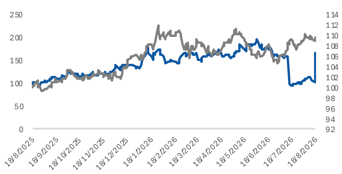
Recommendation:		BUY
Current Price:		RM 1.94
Previous Target Price:		RM 3.06
Target Price:	↔	RM 3.06
Capital Upside/Downside:		57.7%
Dividend Yield (%):		11.9%
Total Upside/Downside:		**69.6%**

Stock information	
Board	MAIN
Sector	Industrial products & services
Bursa / Bloomberg Code	5916 / SMELT MK
Syariah Compliant	Yes
ESG Rating	★★★
Shares issued (m)	840.0
Market Cap (RM' m)	1,629.6
52-Week Price Range (RM)	2.287-1.099
Beta (x)	1.1
Free float (%)	63.6
3M Average Volume (m)	1.6
3M Average Value (RM' m)	3.3

Top 3 Shareholders	(%)
Straits Trading Co Ltd/Singapore	26.8
Straits Trading Amalgamated Reso	16.6
Sword Investments Pvt Ltd	5.1

Share Price Performance



	1M	3M	12M
Absolute (%)	4.9	-4.1	66.1
Relative (%)	4.7	-4.4	52.4

Earnings Summary

FYE Dec (RM m)	FY25	FY26F	FY27F
Revenue	1,759.0	1,918.3	2,199.8
PATAMI	82.0	121.9	197.6
CNP	80.4	121.9	197.6
Core EPS (sen)	9.6	14.5	23.5
PE (x)	18.9	12.5	7.7

Source: Company, Apex Securities

Malaysia Smelting Corporation Berhad

A Wet Setback for Mining

- **RHT has been ordered to suspend mining from 12 August 2026 following damage to its drainage infrastructure.**
- **No resumption timeline has been disclosed, while tin smelting operations remain unaffected.**
- **We estimate a c.RM3.4m mining PAT impact per week of suspension, based on 2QFY26's RM44.1m mining PAT before NCI.**
- **We make no changes to our FY26F-FY28F forecasts for now, pending clarity on the suspension duration.**
- **We maintain our BUY call and an unchanged TP of RM3.06.**

Temporary suspension of RHT mining operations. Rahman Hydraulic Tin (RHT), an 80%-owned subsidiary of MSC, received a directive from the Perak Department of Minerals and Geosciences (JMG Perak) to temporarily suspend mining operations with effect from 12 August 2026. The directive followed a site inspection after an extreme rainfall event on 3 August 2026, during which approximately 60mm of rainfall was recorded within one hour, exceeding the 50mm design intensity of RHT's drainage and retention pond infrastructure. This resulted in damage to certain drainage facilities and the retention ponds being overwhelmed.

RHT has commenced repair and upgrading works and is engaging with JMG Perak on a remedial action plan. The suspension remains in effect until further notice, with no indicative resumption timeline disclosed. Tin smelting operations at Pulau Indah are unaffected and continue as usual.

This is not RHT's first operational disruption, with the mine previously suspended for three weeks from 13 November to 3 December 2025 due to a separate water-related issue. The recurrence of water-related disruptions warrants monitoring, particularly if the current suspension proves prolonged.

Estimated impact. Management indicated that mining PAT would generally be reduced in line with the duration of the disruption. Based on 2QFY26 mining PAT of **RM44.1m before NCI**, we estimate a reduction of approximately **RM3.4m in mining PAT per week of suspension**, all else equal. On an attributable basis, this translates to approximately **RM2.7m per week**, based on RHT's 80% ownership. For illustration, a three-week suspension, similar to the previous disruption, would imply a **c.RM10m reduction in mining PAT before NCI**, or approximately **RM8m on an attributable basis**. This remains a simplified run-rate sensitivity, with the actual impact dependent on the eventual suspension duration and other mitigating factors.

Earnings revision. We make no changes to our FY26F-FY28F earnings forecasts at this juncture, as the duration of the suspension remains uncertain and management has indicated that the financial impact cannot currently be determined. We will revisit our estimates once greater clarity emerges on the resumption timeline.

Valuation. We maintain our **BUY** call and **an unchanged TP of RM3.06**, based on **13x FY27F EPS of 23.5 sen**. At the current price of RM1.94, MSC trades at 12.5x FY26F and 7.7x FY27F earnings. While near-term earnings visibility has weakened following the mining suspension, we continue to favour MSC given its position as the world's largest independent tin smelter and its improving earnings profile.

Risks. Key downside risks include an extended suspension period at RHT, given mining now represents the Group's primary earnings driver; tin price volatility; feedstock supply disruptions; unhedged FX exposure; and further delays to ongoing capacity expansion projects.

KDN PP13226/06/2024 (035469)

Financial Highlights

Income Statement

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Revenue	**1,691.8**	**1,759.0**	**1,918.3**	**2,199.8**	**2,382.9**
Gross Profit	**243.7**	**244.7**	**327.8**	**450.0**	**564.0**
EBITDA	**165.1**	**172.5**	**222.7**	**328.3**	**431.6**
Depreciation & Amortisation	-13.6	-14.8	-15.1	-15.5	-16.1
EBIT	**151.5**	**157.7**	**207.7**	**312.7**	**415.6**
Net Finance Income/ (Cost)	-19.2	-20.8	-19.8	-19.8	-19.8
Associates & JV	-0.2	1.4	1.4	1.4	1.4
Pre-tax Profit	**132.0**	**138.3**	**189.3**	**294.4**	**397.2**
Tax	-38.5	-42.0	-53.0	-82.4	-111.2
Profit After Tax	**93.5**	**96.4**	**136.3**	**212.0**	**286.0**
Minority Interest	14.1	14.4	14.4	14.4	14.4
Net Profit	**79.4**	**82.0**	**121.9**	**197.6**	**271.6**
Exceptionals	-1.2	1.5	0.0	0.0	0.0
Core Net Profit	**80.7**	**80.4**	**121.9**	**197.6**	**271.6**

Key Ratios

FYE Dec	FY24	FY25	FY26F	FY27F	FY28F
EPS (sen)	9.6	9.6	14.5	23.5	32.3
P/E (x)	18.9	18.9	12.5	7.7	5.6
P/B (x)	3.5	3.4	3.4	3.3	3.2
EV/EBITDA (x)	8.2	7.9	5.8	4.1	3.1
DPS (sen)	31.0	7.5	14.2	23.1	31.7
Dividend Yield (%)	17.1%	4.1%	7.9%	12.7%	17.5%
EBITDA margin (%)	9.8%	9.8%	11.6%	14.9%	18.1%
EBIT margin (%)	9.0%	9.0%	10.8%	14.2%	17.4%
PBT margin (%)	7.8%	7.9%	9.9%	13.4%	16.7%
PAT margin (%)	5.5%	5.5%	7.1%	9.6%	12.0%
NP margin (%)	4.7%	4.7%	6.4%	9.0%	11.4%
CNP margin (%)	4.8%	4.6%	6.4%	9.0%	11.4%
ROE (%)	10.4%	10.0%	14.9%	23.6%	31.7%
ROA (%)	5.9%	5.3%	8.5%	13.5%	18.4%
Gearing (%)	47.9%	47.5%	46.5%	45.5%	44.4%
Net gearing (%)	20.6%	19.3%	27.0%	20.1%	21.2%

Valuations	FY27F
Core EPS (RM)	0.235
P/E multiple (x)	13.0
Fair value (RM)	**3.06**
ESG premium/discount	0.0%
Implied Fair Value (RM)	**3.06**

Source: Company, Apex Securities

Balance Sheet

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash	211.8	226.1	159.6	211.9	198.7
Receivables	38.1	88.5	87.8	89.2	90.1
Inventories	615.8	678.6	653.6	623.2	647.8
Other current assets	14.8	15.0	15.0	15.0	15.0
Total Current Assets	**880.7**	**1,008.2**	**915.9**	**939.3**	**951.6**
Fixed Assets	261.9	272.0	280.2	288.7	297.5
Intangibles	142.3	141.8	141.8	141.8	141.8
Other non-current assets	79.0	89.1	89.1	89.1	89.1
Total Non-Current Assets	**483.2**	**502.9**	**511.0**	**519.6**	**528.3**
Short-term debt	343.5	366.1	366.1	366.1	366.1
Payables	124.6	233.7	132.8	146.3	147.5
Other current liabilities	20.9	12.4	12.4	12.4	12.4
Total Current Liabilities	**489.0**	**612.2**	**511.3**	**524.8**	**526.0**
Long-term debt	27.8	14.4	14.4	14.4	14.4
Other non-current liabilities	71.5	82.5	82.5	82.5	82.5
Total Non-Current Liabilities	**99.3**	**96.9**	**96.9**	**96.9**	**96.9**
Shareholder's equity	775.5	801.9	818.8	837.1	856.9
Minority interest	0.0	0.0	0.0	0.0	0.0
Total Equity	**775.5**	**801.9**	**818.8**	**837.1**	**856.9**

Cash Flow

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Pre-tax profit	**132.0**	**138.3**	**189.3**	**294.4**	**397.2**
Depreciation & amortisation	13.6	14.8	15.1	15.5	16.1
Changes in working capital	147.4	146.8	-75.2	42.5	-24.4
Others	-209.1	-217.2	-53.0	-82.4	-111.2
Operating cash flow	**83.9**	**82.7**	**76.2**	**270.0**	**277.7**
Capex	-19.0	-23.7	-23.2	-24.1	-24.8
Others	21.8	6.4	0.0	0.0	0.0
Investing cash flow	**2.9**	**-17.3**	**-23.2**	**-24.1**	**-24.8**
Dividends paid	-130.2	-63.0	-119.5	-193.6	-266.2
Others	-8.6	11.9	0.0	0.0	0.0
Financing cash flow	**-138.8**	**-51.1**	**-119.5**	**-193.6**	**-266.2**
Net cash flow	**-52.1**	**14.3**	**-66.5**	**52.3**	**-13.2**
Forex	-0.3	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Beginning cash	264.2	211.8	226.1	159.6	211.9
Ending cash	**211.8**	**226.1**	**159.6**	**211.9**	**198.7**

ESG Matrix Framework:

Environment

Parameters	Rating	Comments
Climate	★★★	Scope 1 and 2 emissions declined 23% YoY to 91,600 tCO_2e in FY2025, supported by operational efficiencies and Pulau Indah consolidation.
Waste & Effluent	★★★	Waste management aligns with industry standards and regulatory requirements as well as minimise environmental impact.
Energy	★★★	Total energy consumption declined 8% YoY to 43.2m kWh in FY2025
Water	★★★	Water consumption declined 7% YoY across all operating sites in FY2025
Compliance	★★★	The Group complies with all local and international environmental regulations.

Social

Diversity	★★	Female Board representation stood at 42.9% in FY2025
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 FY25

Governance

CSR Strategy	★★★★	Allocated RM188k towards industry-academia collaboration initiatives in FY2025, alongside continued employee welfare, health and community engagement programmes.
Management	★★	Majority independent Board supported by dedicated ESG Committee and formal risk oversight frameworks.
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