Weathering the storm

NESTLE (Malaysia) Bhd is well-positioned to ride out the current challenges posed by the Goods and Services Tax, ringgit's depreciation and plunging global oil prices.

REPORT ON B3

'Nestle can ride out the storm'

STILL PROFITABLE: Company well-positioned despite GST, ringgit's deprecation and plunging crude oil prices

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NESTLE (Malaysia) Bhd is well-positioned to remain as the top player in the food and beverage industry despite the current challenges.

Nestle expects 2015 to be a challenging year due to the implementation of the Goods and Services Tax (GST), the ringgit's depreciation and plunge in crude oil prices.

However, the group is well-positioned to weather the storm, said its managing director Alois Hofbauer.

"Even in difficult times, people don't stop eating and drinking. With the oil price decrease, there is an indirect impact (on our business), but it is mostly from the ringgit's depreciation as we import all our raw materials.

"We are looking at ways to cut waste and increase productivity by revisiting our whole value chain. While lower investments from oil companies in infrastructure are expected, gas prices have also dropped, which we can benefit from," he said.

"While prices will inevitably go up, we have decided to pass on all our sales tax savings to our retailers with recommended retail prices, inclusive of GST. But while we will pass on the price reductions to retailers, it will be up to them to pass them on to the consumers," Hofbauer told Business Times, here, last week.

According to him, the majority of Nestle products are taxed with GST.

Meanwhile, Hofbauer said the company aimed to double production capacity once its new plant in Sri Muda, Shah Alam, starts operations in August.

"In the last three years, despite a lower topline growth, we were running well, and when the economy rebounds, we will see even better results.

"It was a good first half in 2014, but we saw a softer second half. But as we had a strong bottomline, we were still very profitable.

"In 2014, we invested RM300 million to build the Sri Muda factory and it is set to open in the middle of this year, catering to the Malaysian and Asean markets," he said.

Hofbauer added that Nestle was not planning to raise the prices of its products and will treat the option as the last resort in order to remain sustainable.

"We are not planning to increase prices for now despite the impact from the depreciating ringgit. If we don't need to increase prices, we won't.

"However, depending on market volatility, we may have to revisit the idea," he said.