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Nestle, F&N slip on worries about sugar price hike

BY JOSEPH CHIN



KUALA LUMPUR: Nestle and Fraser & Neave (F&N) fell on Friday on worries about the impact from a hike in the sugar prices.

At 3.32pm, Nestle was down 36 sen to RM79.04 with 8,900 shares done while F&N lost 28 sen to RM24.98 with 236,100 shares traded.

The FBM KLCI rose 6.68 points or 0.4% to 1,661.97. Turnover was 1.60 billion shares valued at RM1.19bil. There were 380 gainers, 344 losers and 338 counters unchanged.

CIMB Equities Research said MSM Holdings Bhd would step up its selling prices of sugar to the large F&B players, from RM1,800 a tonne to RM2,500 a tonne effective Aug 1, 2016.

"Under our coverage, F&N and Nestlé will be impacted the most as sugar makes up 20%-25% and 10%-15% of total raw material costs, respectively," it said.

CIMB Research said its sensitivity analysis suggests that for every 10% increase in sugar prices, F&N's and Nestlé's FY17-18F net profit will be hit by 7%-8% and 3%-4%, respectively.

"Note that this is under the assumption that the costs are not passed on to consumers through product price revisions. We also note that F&N still has some leftover approved permits to import refined sugar over the next few months but this will be fully utilised by year-end," it said.