

Country: India

Sector: Consumer Goods

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Flash Update

Hindustan Unilever

Bloomberg: HUVR IB

Hold

Price: Rs235

Target Price (Mar09): Rs260

HPC prices hiked again

- HUL effected another round of major price increases mostly in the detergents segment (in the Surf Excel franchise) where price were hiked between 5-11%. While there has been general expectation of margin expansion following decline in crude prices, we believe margin pressure continues to persist in 'detergents' leading to the current pricing action.
 - Prices of linear alkyl benzene (LAB), a major raw material for detergent is still up c.50% YoY (although it corrected c.16% from the peak level). Refer Exhibit-2 on page 2.
- Other price hikes in recent times include: Close-up toothpaste (3.5-7% in November), Clinic Plus and Sunsilk shampoo (5-10% in November), Taj Mahal & Red Label tea (8-10%). Dove 100 gm soap price has been reduced by c.4%.

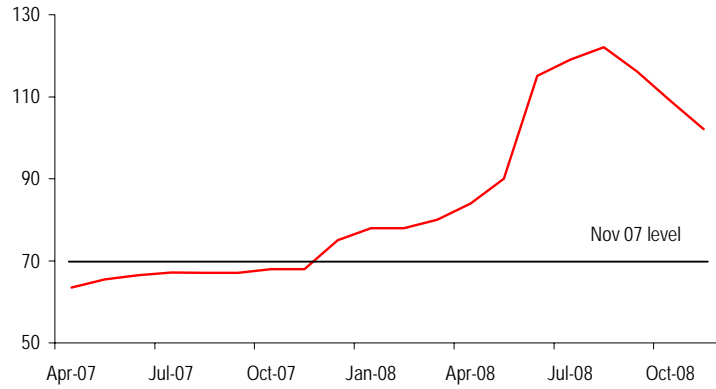
Exhibit 1: Quantum of recent price hikes

Category / brands	Effective	% price hike	Comments
Detergents			
Surf Excel Blue	Nov-08	8% - 20%	
Surf Excel Quick wash	Nov-08	5% - 12%	On the back of 3% price hike in Oct 08 on some SKUs
Surf Excelmatic	Nov-08	11%	On the back of 15% price hike in Oct 08 on some SKUs
Toothpaste			
Closeup	Nov-08	3% - 7%	
Pepsodent	Oct-08	3% - 8%	
Shampoo			
Clinic Plus	Oct-08	5% - 10%	
Sunsilk	Oct-08	6%	The 100 ml bottle is now priced at c.10% premium to ITC's Vivel shampoo
Tea			
Taj Mahal / Red Label	Oct & Nov 08	8% - 10%	

Source: JM Financial

- While the pricing actions definitely reflect HUL's strong pricing power, we believe competitive density could likely intensify and affect volumes in the short run.

Exhibit 2: Movement in LAB basic price (Rs/kg)



Source: Industry data, JM Financial

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