

United Spirits shares up 27% after Diageo deal

MUMBAI, INDIA: Shares of India's United Spirits soared by nearly 30% on Monday (12 November) after British drinks giant Diageo announced a £1.3bn deal to buy a majority stake in the firm.

United Spirits, controlled by liquor baron Vijay Mallya, rose as much as 27.2% to a high of 1,730 rupees in Monday trade after a succession of brokerages recommended investors buy the stock.

It last touched a similar level in April 2008.

Two leading brokerage CLSA and Nomura said they saw the Diageo deal, announced after the Bombay Stock Exchange closed last Friday (9 November), as positive for United Spirits investors since it would reduce debt.

Diageo announced its intention to buy up to 53.4% of India's leading spirits maker, which would give it a commanding presence in the world's biggest whisky market.

London-listed Diageo, which is expanding aggressively in emerging markets, will initially buy a 27.4% stake in United Spirits, which will trigger a public offer to other shareholders.

The offer for a further 26%, taking the total shareholding to 53.4% for an estimated outlay of £1.3, will see United Spirits investors paid 1,440 rupees a share.

CLSA called the Diageo move a "game-changer deal" which would help United Spirits reduce its debt substantially and boost its earnings.

Nomura analysts said that after the acquisition, India would become one of the largest markets for Diageo after the United States.

"This we believe will mean a significant amount of focus from senior management, which will be a positive for United Spirits, in the medium to long term," a Nomura report said.

Cigar-puffing Mallya, a one-time billionaire who took over his father's business, will remain chairman of United Spirits as well as of his own holding company, Bangalore-based United Breweries Group.

Source: *AFP* via I-Net Bridge

For more, visit: <https://www.bizcommunity.com>