

Diageo offers RM6.1 bil to gain United Spirits majority

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By Dave McCombs, Bloomberg

Diageo Plc offered to raise its stake in United Spirits Ltd to as much as 55% to solidify control in the biggest consumer products acquisition in India in a year.

The London-based maker of Guinness stout and Smirnoff vodka offered 3,030 rupees a share, or 114 billion rupees (RM6.1 billion) for a 26% stake in the Bangalore, India-based beverage company, it said in an e-mailed statement. Diageo currently holds a 29% stake and the offer is 18% more than United Spirits' closing price on April 11, 2014.

Diageo, the world's biggest distiller, is expanding in emerging markets where economic growth is creating a broader middle class with more disposable income. The stake in United Spirits will give the UK company the leading position in the world's largest whiskey market.

The deal values United at about 440 billion rupees, or 102 times estimated earnings, based on the average of 22 analyst estimates compiled by Bloomberg for the year ended March. The premium over the most recent closing share price for United compares with Suntory Holdings Ltd's acquisition of Beam Inc for about 25% more than its share price at the time.

Diageo in November said it offered to sell most of United's Whyte & Mackay business to assuage concerns by the UK Office of Fair Trading that the acquisition could potentially lead to higher prices in the UK for blended whiskey. United Spirits bought Whyte & Mackay, the maker of Scotch whisky including Jura and The Dalmore, for 595 million pounds (RM 3.2 billion) in 2007.

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