

## M&A Lab

December 18, 2013

### DIAGEO – USL: "KING OF GOOD TIMES" HANDS OVER THE CROWN JEWEL TO DIAGEO

On July 4, 2013, the Diageo Group, a British multinational alcohol beverages group completed acquisition of approx. 25.02% of shares of United Spirits Limited, a listed Indian company. The deal valued at about INR 52 Billion eventually was one of the largest transactions especially in the food and beverages industry, not just in India but across the world. The deal was also a landmark in many ways as it prompted certain changes to the M&A regulations in India.

The deal gave the Diageo Group a much anticipated entry into one of the world's fastest growing liquor market (India). It also saw the maker of leading and marquee global brands such as Smirnoff, Johnnie Walker, Bailey and Guinness, extend its holding to brands such as Black Dog, Bagpiper and McDowell's.

The consummation of the deal was not without its fair share of challenges. The deal was subjected to a detailed scrutiny by the Securities and Exchange Board of India as well as the Competition Commission of India. Apart from the regulatory scrutiny, the deal was also challenged before the Courts by the lenders of the Sellers (especially the Promoter Group).

The deal has been much in discussions, not only because of the legal, regulatory and commercial issues involved, but also due to the high profile promoter, Dr. Vijay Mallya, who many speculated was sanctioning the sale to ease the rising debt in both United Spirits Limited and Kingfisher Airlines.

For Diageo Group, the deal represents their first step towards consolidating their ever expanding hold in one of the fastest growing spirits market in the world. For Dr. Vijay Mallya and the UB Group, the deal represents a new partnership with an experienced global player and reduction of their (respective) debt. For United Spirits Limited, it represents the best of both worlds as an established local presence meets international governance and operational standards and also deleverages itself. Having said that, time will tell whether Diageo will do justice to the 'King of Good Times' going ahead.

**For a detailed analysis of the legal, regulatory, commercial and tax considerations of the deal and to access the M&A Lab, please [click here](#).**

– Ankit Mishra, Prasad Subramanyan, Sambhav Ranka & Nishchal Joshipura  
You can direct your queries or comments to the authors

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