

Heineken raises toast to UB pact

Mallya May Launch Iconic Brand In India Post Truce

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MUMBAI BANGALORE

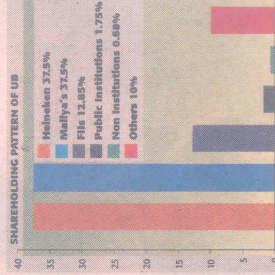
BEER giant Heineken and Vijay Mallya's United Breweries have settled their differences over the former's role in the Indian company, more than a year after Heineken bought Scottish and Newcastle's stake and gained an entry into UB.

UB, India's largest beer company with a market share of 50%, will bottle and distribute Heineken brands in the country. It will be paid a one-time fee of Rs 300 crore. ET first reported on this possibility in

December last year. The deal will also lead to consolidation of UB and the Heineken group's existing beer operations in the country. The local operations of Asia Pacific Breweries (APB), Heineken's Singapore affiliate may be brought under the UB fold.

This will see UB adding two international beers — Heineken and Tiger straddling price points at the premium end — to its portfolio. The entry of Heineken to the UB fold will help Mallya weather competition from international beer makers.

► **Balaji Breweries to be merged with UB: P5**



TIES TO BE SNAPPED

Mohan Breweries & Distilleries, an associate of the Tamil Nadu-based Mohan Meakins, may snap its bottling pact with SABMiller.

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Balaji Breweries to be merged with UB

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THE operational aspects of APB in India will be merged with UB initially and this will be followed by an entity-level merger at a later date. Mr Mallya will also be merging the Chennai-based Balaji Breweries with UB giving the company complete control over a key asset in the country's second largest beer market, Tamil Nadu.

A top UB official declined to comment on the matter. A Heineken spokesperson said: "We don't comment on market speculation." A person close to the talks said that a draft agreement has been signed and that a final deal will happen in a month's time.

The development is beneficial to both partners. Heineken will gain access to UB's extensive distribution network and by selling its iconic brands in the fast-growing market. UB gets a one-time fee, is able to consolidate its operations and also take in APB's Tiger beer brand into its fold.

The row between the two was sparked off when Heineken and Danish firm Carlsberg bought out Scottish & Newcastle, the UK-based brewer which held 37.5% in UB. Mallya, who was suddenly faced with the prospect of an equal partner in one of the world's biggest brewer, objected saying that the rights given to S&N could not be given to Heineken.

He also criticised Heineken's association with APB, which had launched Tiger beer in the country. Heineken is a major shareholder of APB Singapore with 42%. Mallya had told ET on an earlier occasion as that his opposition to APB's independent existence in India "is non-negotiable".

Last year, UB moved Mumbai High Court to restrain Heineken from exercising management rights that were accorded to S&N citing that the Dutch brewer was part of a rival firm APB India in the market place. APB, which has a local shareholder in CK Jaipuria Group, has been putting up a fight against merging its operations with UB. It is not clear what APB has to say about Heineken's deal with Mr Mallya.

APB India has limited presence in the country with two breweries at Aurangabad and Hyderabad selling over two million cases annually. India's beer consumption, which grew 10% last year, is estimated at 174 million cases. APB went ahead with the introduction of Tiger beer last year even as the jury is still out on its success in India.

Industry observers pointed out that global brewers have been eyeing India's increasingly significant premium beer market after checking out Kingfisher's almost unassailable lead in the mainstream segment.