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Centrica downgraded while it launches £750mln share sale

As British Gas owner Centrica Plc (LON:CNA) this morning revealed plans to raise £750mln through a share sale, two blue chip banks happened to downgrade the utilities group.

It is issuing 350mln new shares - about 7% of current share capital - to institutional investors.

Centrica said the major equity funding would fund acquisitions and help protect its credit rating.

Exane BNP Paribas cut Centrica to 'neutral' from 'buy' and said the share lacked compelling valuation upside. The bank has a 240p price target.

HSBC set a 250p price target for Centrica, up from 200p, and stuck to a 'hold' rating.

Verity Mitchell, HSBC analyst, highlighted that the Moodys credit agency had put Centrica up for review for a downgrade and avoiding such an outcome would be seen as a positive for the share.

A credit downgrade could jeopardise the group's dividend, she added.

Elsewhere, Canaccord Genuity upgraded Direct Line Insurance Group Plc (LON:DLG) to 'buy' from 'hold' following yesterday's first quarter update.

UBS lifted its opinion of Stagecoach Group Plc (LON:SGC), with a new 'overweight' rating for the bus and rail transport operator.

Citigroup downgraded Royal Dutch Shell Plc (LON:RDSB) to 'neutral' from 'buy', and at the same time dropped Randgold Resources Limited (LON:RRS) to 'sell' from 'neutral'.

Deutsche Bank stuck to its 'hold' for Randgold but lowered its price target, to 5560p from 5630p (current price: 5745p).

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