

VARUN BEVERAGES LTD.

HOLD

Sector: Other Beverages

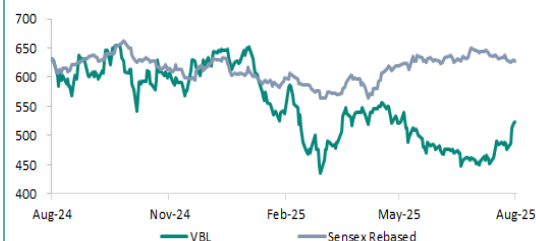
18st August, 2025

Key Changes		Target	Rating	Earnings		Target	Rs. 553
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame	CMP	Rs. 502
Large cap	VBL:IN	80,598	VBL	540180	12 Months	Return	+10%

Data as of: 14-08-2025 18:00 hrs

Company Data			
Market Cap (Rs.cr)	168,436		
52 Week High — Low (Rs.)	668 - 419		
Enterprise Value (Rs. cr)	172,552		
Outstanding Shares (cr)	338.2		
Free Float (%)	39.5		
Dividend Yield (%)	0.3		
6m average volume (cr)	1.0		
Beta	1.1		
Face value (Rs.)	2.0		
Shareholding (%)	Q4CY24	Q1CY25	Q2CY25
Promoters	60.2	60.2	59.8
FII's	25.3	23.0	21.9
MFs/Institutions	7.0	9.2	10.5
Public	6.0	6.3	6.8
Others	1.5	1.2	1.0
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	-1.8%	-8.9%	-67.5%
Absolute Sensex	0.4%	4.0%	-1.5%
Relative Return	-2.3%	-12.8%	-66.0%

*over or under performance to benchmark index



Y.E March (cr)	CY24A	CY25E	CY26E
Sales	20,481	22,734	26,144
Growth (%)	25.5	11.0	15.0
EBITDA	4,711	5,186	6,095
EBITDA Margin (%)	23.0	22.8	23.3
PAT Adjusted	2,595	3,104	3,707
Growth (%)	26.2	19.6	19.4
Adjusted EPS	7.7	9.2	11.0
Growth (%)	21.2	19.6	19.4
P/E	83.2	55.7	46.7
P/B	13.0	9.1	7.9
EV/EBITDA	45.8	33.3	28.3
ROE (%)	15.6	16.4	17.0
D/E	0.1	0.1	0.1

Distribution width boosts volumes

Varun Beverages Ltd, along with its affiliated companies, produces, bottles, markets and distributes a range of beverages and premium products under the umbrella of the PepsiCo brand.

- In Q2CY25, revenue dipped 2.3% YoY to Rs. 7,163cr, as sales volume fell 3% YoY to 39.0cr cases from 40.2cr cases in Q2CY24, despite higher realization per case.
- In Q2CY25, carbonated soft drink sales volume fell 5.2% YoY to 29.1cr cases, mainly on weak demand in India. Non-carbonated beverages fell 12.5% YoY to 2.8cr cases on muted response to Sting Gold and sluggish rural demand. But packaged water sales volume rose 12.7% YoY to 7.1cr cases on increased institutional demand and rural penetration.
- The Indian market declined 7.1% YoY, primarily due to abnormally high and unseasonal rainfall through the quarter, which hit peak season sales.
- International markets grew 15.1% YoY, led by 16.1% YoY growth in South Africa, on strong currency movement and commissioning of new can line in Durban.
- EBITDA grew 0.4% YoY to Rs. 1,999cr and margin expanded 75bps YoY to 27.9%, on newer, high-efficiency lines and strong currency in international operations.

Outlook & Valuation

The company delivered a resilient performance driven by robust execution, expanded distribution and operational ramp-up of new plants. The management is focused on strategic international expansion, backward integration, snack diversification and premiumisation, supported by strong visibility in rural and emerging markets. Sustainable initiatives such as electric vehicles and eco-cooling are enhancing long-term efficiency. However, near-term volume growth may remain uneven due to weather-induced disruptions and macro visibility. Consistent investment in capacity portfolio depth and route-to-market strength are expected to support long-term growth. Therefore, **we reiterate our HOLD rating on the stock with a target price of Rs. 553, based on 51x CY26E adjusted EPS.**

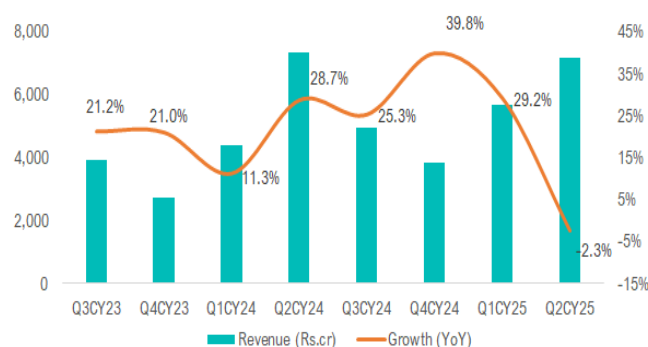
Quarterly Finance Consol.

Rs.cr	Q2CY25	Q2CY24	YoY (%)	Q1CY25	QoQ (%)	H1CY25	H1CY24	YoY (%)
Sales	7,163	7,334	-2.3	5,680	26.1	12,843	11,732	9.5
EBITDA	1,999	1,991	0.4	1,264	58.1	3,263	2,980	9.5
Margin (%)	27.9	27.2	75bps	22.3	560bps	25.4	25.4	0bps
EBIT	1,693	1,749	-3.2	991	70.7	2,684	2,550	5.3
PBT	1,732	1,663	4.1	978	77.1	2,710	2,379	13.9
Rep. PAT	1,325	1,262	5.0	731	81.2	2,057	1,810	13.6
Adj PAT	1,317	1,253	5.1	726	81.3	2,044	1,790	14.2
Adj. EPS (Rs)	3.9	3.70	5.1	2.1	81.3	6.0	5.3	14.2

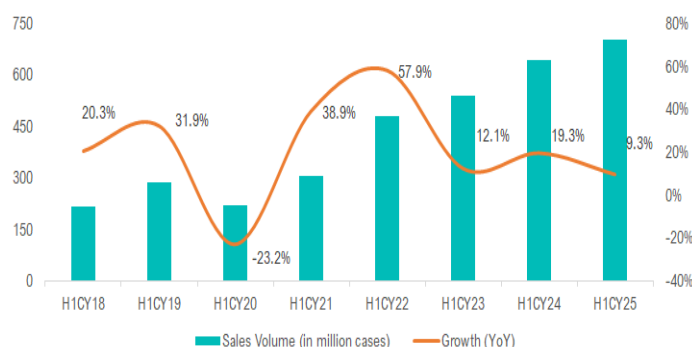
Key concall highlights

- Varun Beverages began commercial production of PepsiCo's "Cheetos" in Morocco, marking a major step into the high-potential snacks segment, thus diversifying beyond beverages.
- The company raised its stake in Zambia to 95% from 90% through equity infusion, reinforcing its commitment to its African subsidiary and long-term expansion.
- The company acquired 50% in Everest Industrial Lanka, a Sri Lankan commercial visi-cooler manufacturer, strengthening its cold-chain asset ecosystem.
- Management reaffirmed validity of the India agreement with PepsiCo till April 2039, ensuring long-term brand alignment.
- Varun Beverages aims to grow distribution by 10% in CY25, targeting 300,000-400,000 outlets, though rural expansion may fall slightly short due to rain-induced disruption impacting temporary outlets.
- The company is expected to invest Rs. 600-700cr primarily for international capex in CY25-CY27, focusing on expansion in South Africa, DRC and Zimbabwe, aligned with the demand momentum.
- The company expects beverage demand in Zimbabwe to normalise by Q3CY25, post sugar tax disruption, with volume growth resuming from the festival quarters onwards.

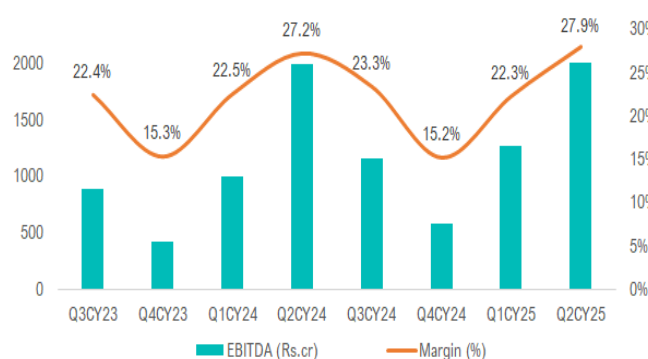
Revenue



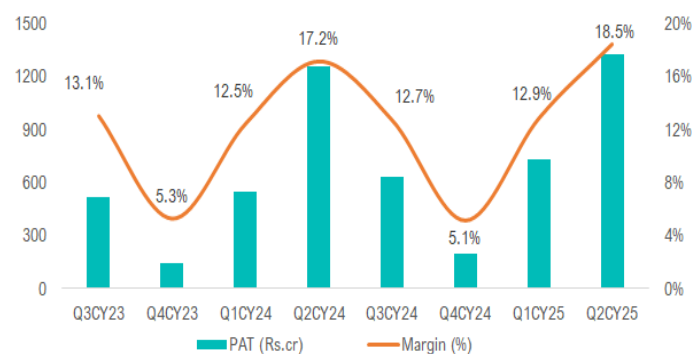
Sales Volume (in million cases)



EBITDA



PAT



Change in Estimates

Year / Rs cr	Old estimates		New estimates		Change -%	
	CY25E	CY26E	CY25E	CY26E	CY25E	CY26E
Revenue	24,373	28,272	22,734	26,144	-6.7	-7.5
EBITDA	5,632	6,646	5,186	6,095	-7.9	-8.3
Margins (%)	23.1	23.5	22.8	23.3	-30bps	-20bps
Adj. PAT	3,404	4,082	3,104	3,707	-8.8	-9.2
EPS	10.1	12.1	9.2	11.0	-9.1	-9.4



Consolidated Financials

Profit & Loss

Y.E March (Rs. Cr)	CY22A	CY23A	CY24A	CY25E	CY26E
Sales	13,391	16,321	20,481	22,734	26,144
% change	-	21.9	25.5	11.0	15.0
EBITDA	2,788	3,609	4,711	5,186	6,095
% change	-	29.5	30.5	10.1	17.5
Depreciation	617	681	947	1,034	1,214
EBIT	2,171	2,929	3,764	4,152	4,880
Interest	186	268	450	360	306
Other Income	39	79	120	411	444
PBT	2,024	2,739	3,433	4,202	5,018
% change	-	35.4	25.3	22.4	19.4
Tax	474	638	799	1,051	1,254
Tax Rate (%)	23.4	23.3	23.3	25.0	25.0
Reported PAT	1,550	2,102	2,634	3,152	3,763
PAT att. to common shareholders	1,497	2,056	2,595	3,104	3,707
Adj.*	-	-	-	-	-
Adj. PAT	1,497	2,056	2,595	3,104	3,707
% change	-	37.3	26.2	19.6	19.4
No. of shares (cr)	324.9	324.8	338.2	338.2	338.2
Adj EPS (Rs.)	4.6	6.3	7.7	9.2	11.0
% change	-	37.3	21.2	19.6	19.4
DPS (Rs.)	2.5	2.3	2.5	2.8	3.0

** adjusted for stock split

Cashflow

Y.E March	CY22A	CY23A	CY24A	CY25E	CY26E
Net inc. + Depn.	2,115	2,737	3,542	4,139	4,921
Non-cash adj.	356	-113	451	1,614	809
Other adjustments					
Changes in W.C	-680	-233	-612	-701	-612
C.F. Operation	1,790	2,391	3,381	5,051	5,117
Capital exp.	-1,750	-3,194	-3,740	-3,296	-3,922
Change in inv.	22	-118	-203	-48	-49
Other invest.CF	23	22	-374		
C.F - Investment	-1,705	-3,290	-4,317	-3,344	-3,971
Issue of equity	-	4	7,451	-	-
Issue/repay debt	340	1,506	-3,552	-827	-77
Dividends paid	-162	-227	-325	-845	-930
Other finance.CF	-195	-299	-621	-354	-300
C.F - Finance	-18	985	2,954	-2,027	-1,306
Chg. in cash	67	86	2,018	-320	-160
Closing Cash	285	460	2,450	2,130	1,970

Balance Sheet

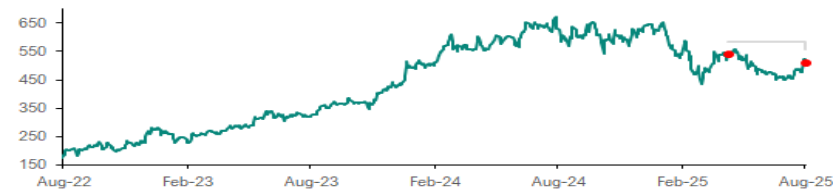
Y.E March (Rs. Cr)	CY22A	CY23A	CY24A	CY25E	CY26E
Cash	285	460	2,450	2,130	1,970
Accts. Receivable	299	359	846	1,250	1,430
Inventories	1,994	2,151	2,791	3,088	3,520
Other Cur. Assets	826	1,266	1,777	1,697	1,715
Investments	-	21	60	141	143
Gross Fixed Assets	7,910	9,489	12,256	15,553	19,474
Net Fixed Assets	6,357	7,838	11,986	14,238	16,933
CWIP	607	1,922	1,162	1,220	1,281
Intangible Assets	575	571	1,420	1,491	1,553
Def. Tax -Net	-	-	20	23	28
Other Assets	675	599	632	333	336
Total Assets	11,618	15,187	23,144	25,612	28,910
Current Liabilities	2,001	2,148	3,001	3,807	4,210
Provisions	204	213	189	208	221
Debt Funds	3,695	5,194	2,364	1,537	1,460
Other Liabilities	503	548	850	994	1,114
Equity Capital	650	650	676	676	676
Res. & Surplus	4,453	6,287	15,934	18,246	21,086
Shareholder Funds	5,102	6,936	16,610	18,922	21,762
Minority Interest	113	148	130	143	143
Total Liabilities	11,618	15,187	23,144	25,612	28,910
BVPS	16	21	49	56	64

Ratio

Y.E March	CY22A	CY23A	CY24A	CY25E	CY26E
Profitab. & Return					
EBITDA margin (%)	20.8	22.1	23.0	22.8	23.3
EBIT margin (%)	16.2	17.9	18.4	18.3	18.7
Net profit mgn.(%)	11.2	12.6	12.7	13.7	14.2
ROE (%)	29.3	29.6	15.6	16.4	17.0
ROCE (%)	24.4	23.9	19.7	20.2	20.9
W.C & Liquidity					
Receivables (days)	8.2	8.0	15.1	20.1	20.0
Inventory (days)	112.3	102.2	108.6	108.5	108.4
Payables (days)	46.4	36.0	60.7	61.5	62.1
Current ratio (x)	0.9	1.0	1.7	1.7	1.7
Quick ratio (x)	0.1	0.2	0.7	0.7	0.7
Turnover & Leverage					
Gross asset T.O (x)	-	1.9	1.9	1.6	1.5
Total asset T.O (x)	-	1.2	1.1	0.9	1.0
Int. covge. ratio (x)	11.7	10.9	8.4	11.5	15.9
Adj. debt/equity (x)	0.7	0.7	0.1	0.1	0.1
Valuation					
EV/Sales (x)	6.6	10.1	10.5	7.6	6.6
EV/EBITDA (x)	31.8	45.7	45.8	33.3	28.3
P/E (x)	56.9	77.9	83.2	55.7	46.7
P/BV (x)	16.7	23.1	13.0	9.1	7.9



Recommendation Summary - (last 3 years)



Dates	Rating	Target
10-Apr-25	HOLD	585
18-Aug-25	HOLD	553

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

▲ Upgrade

● No Change

▼ Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

DISCLAIMER & DISCLOSURES

Certification: I, Vincent K A, author of this Report, hereby certify that all the views expressed in this research report reflect our personal views about any or all of the subject issuer or securities. This report has been prepared by the Research Team of Geojit Investments Limited, hereinafter referred to as GIL.

For general disclosures and disclaimer: Please [Click here](#)

CRISIL has provided research support in preparation of this research report and the investment rational contained herein along with financial forecast. The target price and recommendation provided in the report are strictly GIL's views and are NOT PROVIDED by CRISIL. Further, CRISIL expresses no opinion on valuation and the associated recommendations. CRISIL has no financial liability whatsoever, to the subscribers / users of this report.

Regulatory Disclosures:

Group companies/ Fellow subsidiaries of Geojit Investments Ltd (GIL) are Geojit Financial Services Limited (GFSL), Geojit Technologies Private Limited (Software Solutions provider), Geojit Credits Private Limited (NBFC), Geojit Fintech Private Ltd, Geojit IFSC Ltd (a company incorporated under IFSC Regulations), Qurum Business Group Geojit Securities LLC (a subsidiary of holding company in Oman engaged in Financial Services), Barjeel Geojit Financial Services LLC (a joint venture of holding company in UAE engaged in Financial Services), and BBK Geojit Consultancy and Information KSC (C) (a joint venture in Kuwait-engaged in Financial services). In the context of the SEBI Regulations on Research Analysts (2014), GIL affirms that we are a SEBI registered Research Entity and in the course of our business as a stock market intermediary, we issue research reports /research analysis etc. that are prepared by our Research Analysts. We also affirm and undertake that no disciplinary action has been taken against us or our Analysts in connection with our business activities. In compliance with the above-mentioned SEBI Regulations, the following additional disclosures are also provided which may be considered by the reader before making an investment decision:

1. Disclosures regarding Ownership:

GIL confirms that:

(i)It/its associates have no financial interest or any other material conflict in relation to the subject company (ies) covered herein, at the time of publication of the research report.

(ii)It/its associates have no actual beneficial ownership of 1% or more in relation to the subject company (ies) covered herein, at the end of the month immediately preceding the date of publication of the research report.

Further, the Analyst confirms that:

(i) He, his associates and his relatives shall take reasonable care to ensure that they do not have any financial interest in the subject company (ies) covered herein, and they have no other material conflict in the subject company, at the time of publication of the research report.

(ii) He, his associates and his relatives have no actual/beneficial ownership of 1% or more in the subject company covered, at the end of the month immediately preceding the date of publication of the research report.

2. Disclosures regarding Compensation:

During the past 12 months, GIL or its Associates:

(a) Have not received any compensation from the subject company; (b) Have not managed or co-managed public offering of securities for the subject company (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company. (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company. e) Have not received any compensation or other benefits from the subject company or third party in connection with the research report (f) The subject company is / was not a client during twelve months preceding the date of distribution of the research report.

3. Disclosure by GIL regarding the compensation paid to its Research Analyst:

GIL hereby confirms that no part of the compensation paid to the persons employed by it as Research Analysts is based on any specific brokerage services or transactions pertaining to trading in securities of companies contained in the Research Reports.

4. **Disclosure regarding the Research Analyst's connection with the subject company:** It is affirmed that I, Vincent K A, Research Analyst (s) of GIL have not served as an officer, director or employee of the subject company.

5. **Disclosure regarding Market Making activity:** Neither GIL/its Analysts have engaged in market making activities for the subject company.

6. **Disclosure regarding conflict of interests:** GIL shall abide by the applicable regulations/ circulars/ directions specified by SEBI and Research Analyst Administration and Supervisory Body (RAASB) from time to time in relation to disclosure and mitigation of any actual or potential conflict of interest. GIL will endeavour to promptly inform the client of any conflict of interest that may affect the services being rendered to the client.

7. "Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."

8. Clients are required to keep contact details, including email id and mobile number/s updated with the GIL at all times.

9. In the course of providing research services by GIL, GIL cannot execute/carry out any trade (purchase/sell transaction) on behalf of, the client. Thus, the clients are advised not to permit GIL to execute any trade on their behalf.

10. GIL will never ask for the client's login credentials and OTPs for the client's Trading Account Demat Account and Bank Account. The Clients are advised not to share such information with anyone including GIL.

11. Standard Warning: "Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

12. Disclosures regarding Artificial Intelligence tools: Neither Geojit Investments Limited nor its Analysts have utilized any AI tools in the preparation of the research reports.

Please ensure that you have read the "Risk Disclosure Documents for Capital Market and Derivatives Segments" as prescribed by the Securities and Exchange Board of India before investing.

Geojit Investments Ltd. Registered Office: 7th Floor 34/659-P, Civil Line Road, Padivattom, Kochi-682024, Kerala, India. Phone: +91 484-2901000, Website : www.geojit.com/GIL . For investor queries: customercare@geojit.com

GRIEVANCES

Step 1: The client should first contact the RA using the details on its website or following

contact details: Compliance officer: Ms. Indu K. Address: 7th Floor, 34/659-P, Civil Line Road, Padivattom, Ernakulam.; Phone: +91 484-2901367; Email: compliance@geojit.com. For Grievances:grievances@geojit.com. **Step 2:** If the resolution is unsatisfactory, the client can also lodge grievances through SEBI's SCORES platform at www.scores.sebi.gov.in **Step 3:** The client may also consider the Online Dispute Resolution (ODR) through the Smart ODR portal at <https://smartodr.in>

Corporate Identity Number: U66110KL2023PLC080586, Research Entity SEBI Reg No: INH000019567; Depository Participant : IN-DP-781-2024.

