

Our analysis of CY24 AR suggests that VBL is making big investments to capture industry tailwinds, expand new categories, and ramp-up its presence in Africa, with recent acquisition of rights for South Africa/Tanzania regions. With likely commissioning of 4 more plants, VBL's peak-month capacity is ~65% higher ahead of CY25 season vs CY22, which remains a big edge in times of high competitive intensity. In addition, focus remains on serving the market better with consolidation of distributors and distribution expansion with accelerated visi-cooler placements (up ~15% in CY24). Initial trends in acquired territories is encouraging with South Africa delivering double-digit growth in CY24 and Tanzania seeing growth acceleration with introduction of new PET lines (vs glass). Among other major geographies, Sri-Lanka is back on a strong growth trajectory, Zimbabwe should see growth revival in CY25 after implementation of Sugar Tax in mid-CY24, while Morocco continues to see robust trends. With an ESG focus, VBL is light-weighting its SKUs, reducing sugar/water usage, and investing in renewable energy, which are enabling growth and driving margin gains. Operating cash flows remain healthy at 85-90% of post-tax EBITDA, while capacity expansion drove negative FCF. RPTs aligned with historical trends in CY24. We remain confident of continued healthy growth trends for VBL, albeit heightened competitive intensity can impact near-term margin of the India business. We maintain BUY on upgrade potential to street numbers.

Big capacity/distribution expansion provides scope for earnings beat: Through the CY22-CY25 seasons, VBL has incurred a capex of ~Rs100bn toward 10 greenfield plants (incl CWIP plants in Buxar, Mandi, Gorakhpur, and Meghalaya), and 9 brownfield expansions (incl international). Such big investments have expanded VBL's capacity by ~65% over CY22-25 and a normal summer can positively surprise the street estimates for CY25. Related-party transactions were mainly with SMV Group; however, the same remained stable and in-line with historical trends.

Focused ESG investments driving cost savings and growth investments: VBL is making focused ESG investments toward reduction of water usage, non-renewable energy, plastic, and sugar. In line with investments, the water usage ratio has declined to 1.56x (per liter of beverage produced) from 1.94x in CY19, with a target of reaching 1.40x by CY25. VBL is also light-weighting pre-forms/closures by 6-15% across SKUs vs CY15-19. VBL also aims to increase its r-PET usage to 30% by CY25, through backward integration and a JV with Indorama. VBL aims to service 25% of its utility needs via renewable resources by CY30 (from 16%/7% in CY24/CY20). Focused launches are also driving improved mix in favor of low/no-sugar products (53% vs 40% YoY).

International business making a healthy bottom-line contribution: International geographies are now contributing encouragingly to PAT, albeit the subsidiary PAT contribution dipped to ~16% in CY25 vs ~18% in CY24, whereas rev mix increased to ~33% due to South Africa acquisition (vs 25% in CY24). Lower PAT mix is likely due to weakness in Zimbabwe (sugar-tax) and current weak PAT profile of acquired SA business. Morocco continues to see strong momentum with 22% topline growth, Sri-Lanka has seen healthy growth acceleration (40% in CY24), while FX fluctuation/sugar-tax has likely impacted Zimbabwe/Zambia's profitability. Despite flat topline in Nepal, PAT expanded ~2.0x vs CY24 on better margins and lower tax. Despite heat waves impacting peak-CY24 season, India business saw decent PAT growth at ~30% on under penetration, expanded distribution, and a 200bps margin gain amid better revenue mix and cost-saving initiatives.

Varun Beverages: Financial Snapshot (Consolidated)

Y/E (Rs mn)	CY22	CY23	CY24	CY25E	CY26E
Revenue	131,731	160,426	200,077	256,420	309,124
EBITDA	27,881	36,095	47,111	58,449	70,989
Adj. PAT	14,975	20,559	25,946	35,845	45,625
Adj. EPS (Rs)	4.6	6.3	8.0	10.6	13.5
EBITDA margin (%)	21.2	22.5	23.5	22.8	23.0
EBITDA growth (%)	68.5	29.5	30.5	24.1	21.5
Adj. EPS growth (%)	115.8	37.3	26.2	32.7	27.3
RoE (%)	32.6	34.2	22.0	19.7	21.0
RoIC (%)	20.9	23.2	21.3	20.1	22.5
P/E (x)	108.4	79.0	62.6	47.2	37.1
EV/EBITDA (x)	59.6	46.4	34.6	27.9	22.9
P/B (x)	31.8	23.4	9.8	8.6	7.1
FCFF yield (%)	0.1	(0.6)	(1.1)	0.8	2.0

Source: Company, Emkay Research

Target Price – 12M	Dec-25
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	67.4

Stock Data	VBL IN
52-week High (Rs)	683
52-week Low (Rs)	419
Shares outstanding (mn)	3,381.8
Market-cap (Rs bn)	1,618
Market-cap (USD mn)	18,549
Net-debt, FY26E (Rs mn)	(3,097.8)
ADTV-3M (mn shares)	8
ADTV-3M (Rs mn)	4,333.0
ADTV-3M (USD mn)	49.7
Free float (%)	36.0
Nifty-50	22,470.5
INR/USD	87.2

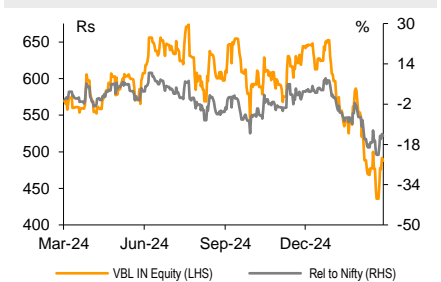
Shareholding, Dec-24

Promoters (%)	60.2
FPIs/MFs (%)	25.3/7.0

Price Performance

(%)	1M	3M	12M
Absolute	(10.5)	(26.0)	(15.9)
Rel. to Nifty	(8.2)	(19.1)	(16.4)

1-Year share price trend (Rs)



Devanshu Bansal

devanshu.bansal@emkayglobal.com
+91-22-66121385

Mohit Dodeja

mohit.dodeja@emkayglobal.com
+91-22-66242481

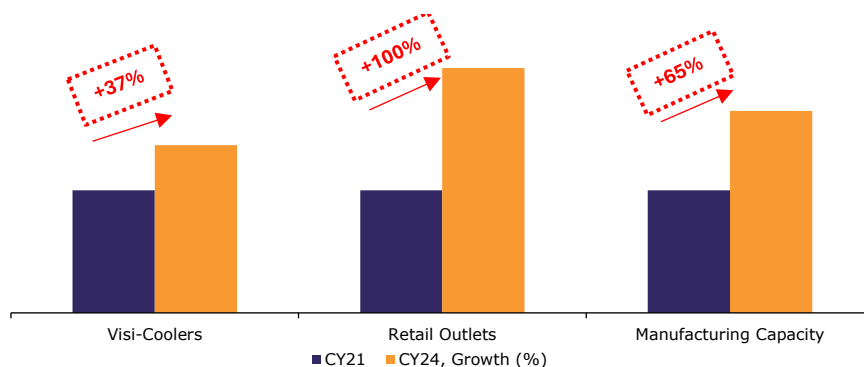
Story in Charts

Exhibit 1: VBL's peak-month capacity is ~65% higher ahead of CY25 season vs CY22 season; unseasonal rains in CY23 and excessive heat waves in CY24 impacted CY23/CY24 seasons

CY22-season	++ Greenfield	++ Brownfield	CY25-season
Capacity (1.0x)	1. Bundi (Rajasthan)	1. Pathankot	Capacity (1.65x)
	2. Jabalpur (MP)	2. Kosi	
	3. Supa (MH)	3. Bharuch	
	4. Gorakhpur (UP)	4. Tirunelveli	
	5. Khordha (Orissa)	5. Begusarai	
	6. Kangra (HP)	6. Guwahati	
	7. Prayagraj (UP)	7. Gorakhpur	
	8. Buxar (Bihar)	8. Sri-City	
	9. Meghalaya	8. Morocco	
	10. DRC	9. Zimbabwe	

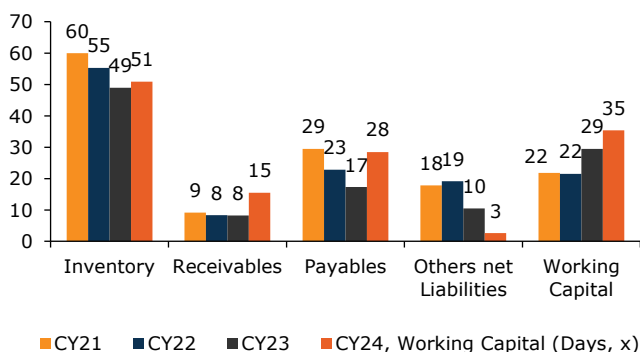
Source: Company, Emkay Research

Exhibit 2: Strong traction in Sting has enabled near-doubling of VBL's retail distribution reach



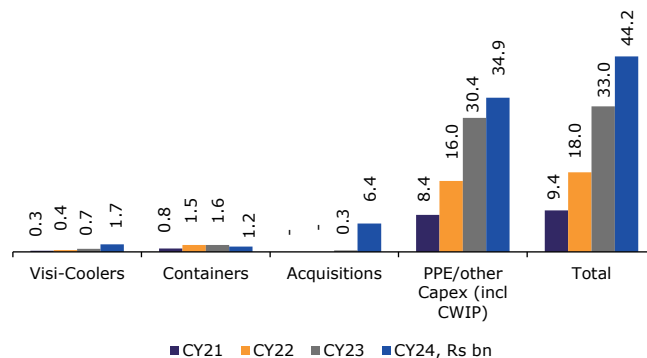
Source: Company, Emkay Research

Exhibit 3: Part consolidation of SA business in CY25 led to increase in NWC days, which should normalize going ahead



Source: Company, Emkay Research

Exhibit 4: VBL has done a capex of Rs100-110bn during CY21-CY25TD toward 10 greenfield and nine brownfield expansions

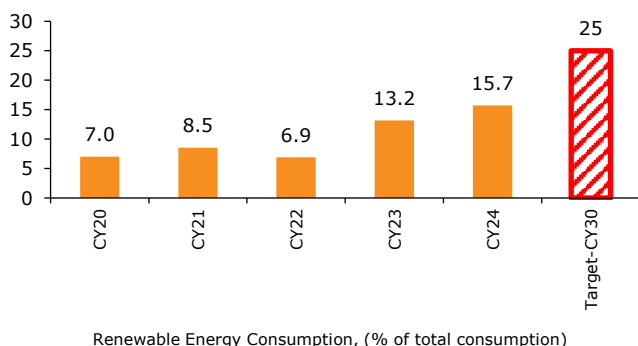


Source: Company, Emkay Research

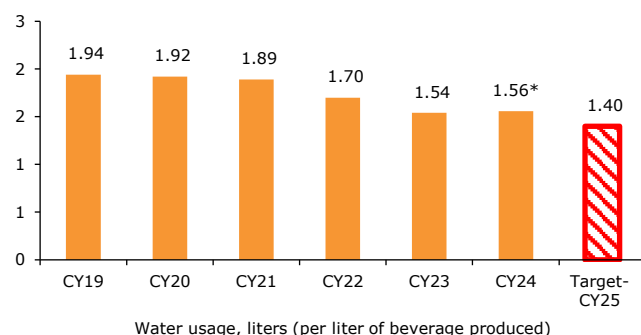
Exhibit 5: With focused ESG initiatives, VBL is light-weighting its pre-forms/closures to drive cost savings and enable growth investments

Weight reduction (Pre-forms, grams)	2010-14	2015-19	2020-24	Reduction vs 2015-19 (%)
600ML	25.5	22.2	22.2	0.0
750ML	34.7	30.7	27.1	-11.7
1.0L	21.0	21.0	19.0	-9.5
1.25L	36.0	34.7	32.5	-6.3
2.25L	52.5	50.7	47.0	-7.3
Weight reduction (Closures, grams)	2010-14	2015-19	2020-24	Reduction vs 2015-19 (%)
CSD/Juice	3.15	2.75	2.35	-14.5
Water	1.7	1.5	1.35	-10.0

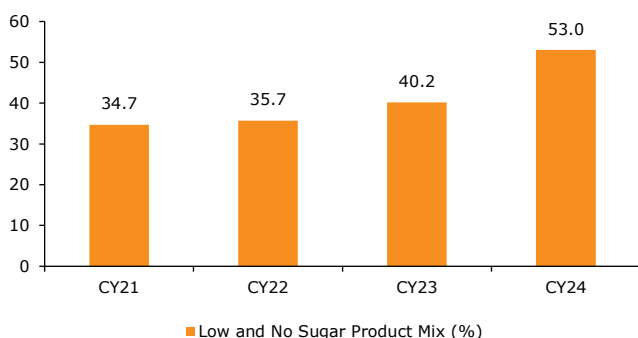
Source: Company, Emkay Research

Exhibit 6: Usage of low-cost renewable sources is increasing for VBL; the company targets 25% of overall energy consumption to be from renewable energy sources by CY30

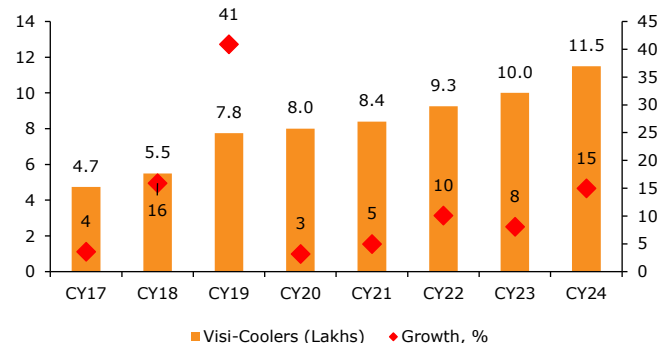
Source: Company, Emkay Research

Exhibit 7: Saving costs on the back of low water usage; VBL further targets reduced water consumption of 1.40 liter per liter of beverage produced by CY25

Source: Company, Emkay Research; * Steady state WUR was 1.54 times in 2023 and 1.50 times in 2024, the differential is on account of stabilization of 2 new greenfield plants in 2023 and 3 new greenfield plants in 2024

Exhibit 8: Traction in Sting and other no- or low-sugar products is reducing the consumption of sugar in the business; further increase in mix of such products should drive margin gains

Source: Company, Emkay Research

Exhibit 9: VBL has been investing in distribution expansion with ~10% growth in its retail outlets; VBL added 1.5L Visi-Coolers in CY24 (up ~15% YoY)

Source: Company, Emkay Research

Exhibit 10: Mix of low sugar and no sugar products has increased, in line with evolving consumer preferences for such products

Source: Company, Emkay Research

Exhibit 11: International business is making a healthy bottom-line contribution; CY24 PAT contribution of international subsidiaries is lower due to implementation of sugar-tax in Zimbabwe and low-margin profile in acquired SA region

Particulars (%)	Revenue Mix (%)						PAT Mix (%)					
	CY19	CY20	CY21	CY22	CY23	CY24	CY19	CY20	CY21	CY22	CY23	CY24
India	76	72	71	77	75	67	100	55	61	78	82	84
Zimbabwe	8	11	11	7	9	8	-4	41	28	13	10	8
South-Africa	0	0	0	0	0	7	0	0	0	0	0	-1
Morocco	5	5	5	5	6	6	-4	-4	0	1	2	1
DMCC	0	0	0	1	2	4	0	0	0	2	1	1
Nepal	6	6	5	5	4	3	12	7	-3	2	3	5
Sri-Lanka	2	2	2	2	2	2	-1	-1	1	1	2	2
Zambia	2	2	3	3	2	2	-3	-10	6	1	-2	-1
Lunarmech	0	1	2	2	1	1	0	12	6	3	2	1
DRC	0	0	0	0	0	1	0	0	0	0	0	0
Others	0	0	0	0	0	0	0	0	0	0	0	0

Source: Company, Emkay Research, *Revenue/PAT mix has been calculated as Revenue/PAT of respective subsidiaries divided by summation of standalone Revenue/PAT and Revenue/PAT of all subsidiaries, respectively

Exhibit 12: Major transactions have been toward sale/purchase of goods from the SMV Group; declining trend continues as RPT quantum remain 1-2% of sales vs 7.5% in CY19

Transactions with related parties (Rs mn)	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23	CY24	Emkay Remarks
Sale of goods	470	349	220	251	732	403	571	411	335	Majorly with SMV Group, Jai Beverages DIL, and Deyani Foods (Creambell)
Sale of raw materials and stores	0	0	3	289	96	195	258	227	298	Majorly with SMV Group, Jai Beverages DIL, and Deyani Foods (Creambell)
Purchase of goods		1	1	905	600	768	991	960	741	Majorly with SMV Group, Devyani Foods (Creambell)
Purchase of raw materials and stores	582	465	763	625	0	93	94	77	13	Majorly with SMV Group, Devyani Foods (Creambell)
Travelling expenses paid	72	92	116	217	38	109	264	102	102	Travelling expenses paid to Wellness Holdings
Dividend paid	0	223	240	377	353	327	485	670	950	Dividends paid to promoters
Rent/lease charges paid	72	94	109	173	149	138	132	134	134	Majorly to holding company RJ Corp for leased properties
Other charges paid	47	332	89	222	178	168	0	42	107	Combination of multiple small charges - medical and utility
Loan/Interest received	50	52	-2	120	-4	-4	-2	-6	-4	Interest paid/received
Purchase of fixed assets	0	1,311	1,241	1,418	772	0	50	0	2	
Capital commitments	345	0	0	282	252	202	202	202	157	Part of territory acquisition from SMV Group
Bonus share issued	0	0	0	502	0	436	647	0	0	
Balance outstanding at the end of the year (net)	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23	CY24	
Receivable/(payable), net	330	670	230	356	56	48	112	157	226	

Source: Company, Emkay Research

Exhibit 13: Peer comparison

Companies	Price (Rs)	Mcap (Rs bn)	Reco	Target Price (Rs)	EPS (Rs)			P/E (x)			EV/EBITDA (x)*		
					FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Titan Company	3,005	2,690	Buy	4,300	37.6	55.3	71.4	79.9	54.4	42.1	48.6	36.3	29.5
Varun Beverages	484	1,637	Buy	800	8.0	10.6	13.5	60.6	45.7	35.9	34.7	28.0	23.0
Ethos	2,490	61	Buy	3,300	40.2	49.3	66.6	62.0	50.5	37.4	30.7	22.8	17.0
Aditya Vision	422	55	Buy	550	7.7	10.9	14.8	54.7	38.8	28.5	27.1	20.2	15.6
Page Industries	39,830	445	Reduce	40,000	630.9	696.3	834.1	63.1	57.2	47.7	40.6	36.7	30.9
ABFRL	241	293	Sell	280	-4.5	-1.2	-0.5	NA	NA	NA	18.6	13.5	11.0
Go Fashion	930	38	Buy	1,100	15.7	18.5	22.9	44.8	38.0	30.8	13.6	11.8	10.0
Jubilant FoodWorks	603	396	ADD	750	3.4	5.9	8.8	178.3	102.7	68.2	24.9	21.0	17.6
Devyani International	153	184	Reduce	170	0.3	0.7	1.3	438.8	225.9	119.6	22.6	18.2	14.8
Westlife Foodworld	681	106	BUY	875	0.9	5.4	10.2	717.1	125.9	66.7	31.2	22.9	17.8
Sapphire Foods	307	98	Buy	410	1.3	3.1	4.9	230.2	99.0	62.6	19.4	15.5	12.4
Senco Gold	260	42	Buy	600	15.5	15.6	19.8	16.8	16.7	13.2	14.6	9.3	7.5
Metro Brands	1,058	288	Buy	1,500	15.0	18.5	22.4	70.7	57.3	47.3	38.8	32.0	26.9

Source: Company, Emkay Research; Note: *Post-IndAS116 EBITDA

Varun Beverages: Consolidated Financials and Valuations

Profit & Loss					
Y/E (Rs mn)	CY22	CY23	CY24	CY25E	CY26E
Revenue	131,731	160,426	200,077	256,420	309,124
Revenue growth (%)	49.3	21.8	24.7	28.2	20.6
EBITDA	27,881	36,095	47,111	58,449	70,989
EBITDA growth (%)	68.5	29.5	30.5	24.1	21.5
Depreciation & Amortization	6,172	6,809	9,474	12,001	13,398
EBIT	21,710	29,286	37,637	46,448	57,591
EBIT growth (%)	93.3	34.9	28.5	23.4	24.0
Other operating income	-	-	-	-	-
Other income	388	794	1,213	1,000	2,700
Financial expense	1,861	2,681	4,504	0	0
PBT	20,237	27,398	34,346	47,448	60,291
Extraordinary items	0	0	0	0	0
Taxes	4,735	6,375	7,988	11,150	14,168
Minority interest	(527)	(464)	(411)	(452)	(498)
Income from JV/Associates	0	0	0	0	0
Reported PAT	14,975	20,559	25,946	35,845	45,625
PAT growth (%)	115.8	37.3	26.2	38.2	27.3
Adjusted PAT	14,975	20,559	25,946	35,845	45,625
Diluted EPS (Rs)	4.6	6.3	8.0	10.6	13.5
Diluted EPS growth (%)	115.8	37.3	26.2	32.7	27.3
DPS (Rs)	0.5	0.7	1.0	1.3	1.6
Dividend payout (%)	10.8	11.1	12.5	12.0	12.0
EBITDA margin (%)	21.2	22.5	23.5	22.8	23.0
EBIT margin (%)	16.5	18.3	18.8	18.1	18.6
Effective tax rate (%)	23.4	23.3	23.3	23.5	23.5
NOPLAT (pre-IndAS)	16,630	22,471	28,883	35,532	44,057
Shares outstanding (mn)	3,248	3,248	3,248	3,382	3,382

Source: Company, Emkay Research

Cash flows					
Y/E (Rs mn)	CY22	CY23	CY24	CY25E	CY26E
PBT (ex-other income)	19,848	26,605	33,133	46,448	57,591
Others (non-cash items)	0	0	0	0	0
Taxes paid	(4,478)	(6,314)	(6,539)	(10,418)	(13,327)
Change in NWC	(8,525)	(4,278)	(6,931)	(2,942)	(5,484)
Operating cash flow	14,879	25,503	33,641	45,089	52,178
Capital expenditure	(13,487)	(34,734)	(51,844)	(32,851)	(20,000)
Acquisition of business	-	(211)	(384)	0	0
Interest & dividend income	-	-	-	-	-
Investing cash flow	(13,098)	(34,152)	(51,016)	(31,851)	(17,300)
Equity raised/(repaid)	0	1	74,637	0	0
Debt raised/(repaid)	5,138	14,996	(28,301)	(23,643)	0
Payment of lease liabilities	0	0	0	0	0
Interest paid	(1,861)	(2,681)	(4,504)	0	0
Dividend paid (incl tax)	(1,624)	(2,273)	(3,249)	(4,301)	(5,475)
Others	(2,081)	414	(2,624)	1,060	946
Financing cash flow	(428)	10,456	35,959	(26,884)	(4,529)
Net chg in Cash	1,353	1,808	18,584	(13,646)	30,350
OCF	14,879	25,503	33,641	45,089	52,178
Adj. OCF (w/o NWC chg.)	23,403	29,781	40,572	48,031	57,662
FCFF	1,392	(9,231)	(18,204)	12,238	32,178
FCFE	(469)	(11,912)	(22,707)	12,238	32,178
OCF/EBITDA (%)	53.4	70.7	71.4	77.1	73.5
FCFE/PAT (%)	(3.1)	(57.9)	(87.5)	34.1	70.5
FCFF/NOPLAT (%)	8.4	(41.1)	(63.0)	34.4	73.0

Source: Company, Emkay Research

Balance Sheet					
Y/E (Rs mn)	CY22	CY23	CY24	CY25E	CY26E
Share capital	6,496	6,496	6,763	6,763	6,763
Reserves & Surplus	44,528	62,869	159,335	190,879	231,029
Net worth	51,024	69,365	166,098	197,642	237,792
Minority interests	1,131	1,482	1,298	1,298	1,298
Non current liab. & prov.	3,368	3,430	4,879	5,611	6,453
Total debt	40,649	56,118	29,155	7,025	8,469
Total liabilities & equity	96,173	130,394	201,431	211,576	254,011
Net tangible fixed assets	63,571	78,378	131,008	151,387	157,548
Net intangible assets	5,509	5,471	0	470	911
Net ROU assets	-	-	-	-	-
Capital WIP	6,066	19,222	11,667	11,667	11,667
Goodwill	242	242	3,009	3,009	3,009
Investments [JV/Associates]	-	211	595	595	595
Cash & equivalents	2,853	4,599	24,501	10,123	39,631
Current assets (ex-cash)	37,941	43,748	60,659	75,107	85,428
Current Liab. & Prov.	20,010	21,478	30,008	40,783	44,779
NWC (ex-cash)	17,932	22,271	30,651	34,324	40,649
Total assets	96,173	130,394	201,431	211,576	254,011
Net debt	37,797	51,519	4,655	(3,098)	(31,162)
Capital employed	96,173	130,394	201,431	211,576	254,011
Invested capital	87,254	106,363	164,668	189,191	202,118
BVPS (Rs)	15.7	21.4	51.1	58.4	70.3
Net Debt/Equity (x)	0.7	0.7	-	-	(0.1)
Net Debt/EBITDA (x)	1.4	1.4	0.1	(0.1)	(0.4)
Interest coverage (x)	11.9	11.2	8.6	0	0
RoCE (%)	26.0	27.4	24.0	23.6	26.6

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E	CY22	CY23	CY24	CY25E	CY26E
P/E (x)	108.4	79.0	62.6	47.2	37.1
P/CE(x)	76.8	59.3	45.8	35.3	28.6
P/B (x)	31.8	23.4	9.8	8.6	7.1
EV/Sales (x)	12.6	10.4	8.1	6.4	5.3
EV/EBITDA (x)	59.6	46.4	34.6	27.9	22.9
EV/EBIT(x)	76.5	57.2	43.3	35.1	28.3
EV/IC (x)	19.0	15.8	9.9	8.6	8.1
FCFF yield (%)	0.1	(0.6)	(1.1)	0.8	2.0
FCFE yield (%)	-	(0.7)	(1.4)	0.7	1.9
Dividend yield (%)	0.1	0.1	0.2	0.3	0.3
DuPont-RoE split					
Net profit margin (%)	11.4	12.8	13.0	14.0	14.8
Total asset turnover (x)	1.5	1.4	1.2	1.2	1.3
Assets/Equity (x)	1.9	1.9	1.4	1.1	1.1
RoE (%)	32.6	34.2	22.0	19.7	21.0
DuPont-RoIC					
NOPLAT margin (%)	12.6	14.0	14.4	13.9	14.3
IC turnover (x)	1.7	1.7	1.5	1.4	1.6
RoIC (%)	20.9	23.2	21.3	20.1	22.5
Operating metrics					
Core NWC days	49.7	50.7	55.9	48.9	48.0
Total NWC days	49.7	50.7	55.9	48.9	48.0
Fixed asset turnover	1.3	1.4	1.3	1.3	1.3
Opex-to-revenue (%)	31.3	31.3	31.9	32.8	32.7

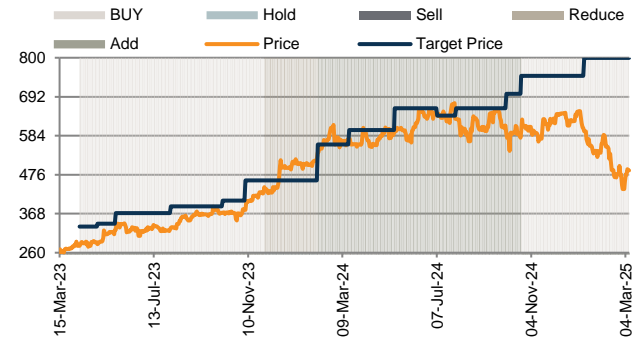
Source: Company, Emkay Research

RECOMMENDATION HISTORY – DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
11-Feb-25	520	800	Buy	Devanshu Bansal
10-Jan-25	597	800	Buy	Devanshu Bansal
13-Nov-24	568	750	Buy	Devanshu Bansal
22-Oct-24	595	750	Buy	Devanshu Bansal
03-Oct-24	588	700	Add	Devanshu Bansal
31-Jul-24	631	660	Add	Devanshu Bansal
23-Jul-24	620	640	Add	Devanshu Bansal
07-Jul-24	646	640	Add	Devanshu Bansal
14-May-24	596	660	Add	Devanshu Bansal
07-Apr-24	598	600	Add	Devanshu Bansal
17-Mar-24	574	600	Add	Devanshu Bansal
06-Feb-24	539	560	Add	Devanshu Bansal
10-Jan-24	507	460	Reduce	Devanshu Bansal
20-Dec-23	501	460	Reduce	Devanshu Bansal
30-Nov-23	442	460	Reduce	Devanshu Bansal
06-Nov-23	378	460	Buy	Devanshu Bansal
08-Oct-23	371	404	Buy	Devanshu Bansal
03-Aug-23	329	388	Buy	Devanshu Bansal
10-Jul-23	325	370	Buy	Devanshu Bansal
25-May-23	324	370	Buy	Devanshu Bansal
02-May-23	283	340	Buy	Devanshu Bansal
09-Apr-23	279	332	Buy	Devanshu Bansal

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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Emkay Global Financial Services Ltd.

CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com

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