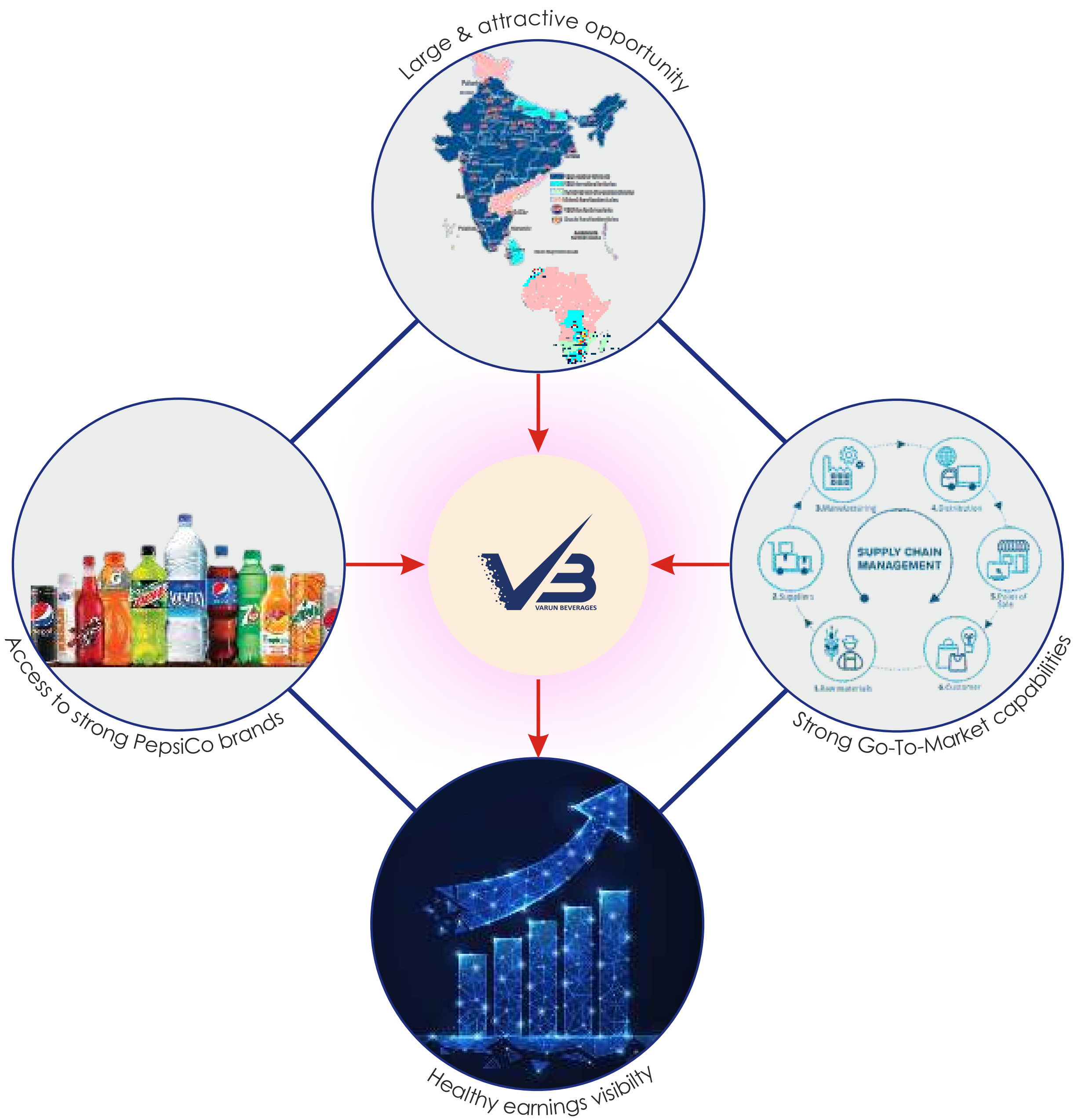
2 January 2025

INDIA | CONSUMER |
COVERAGE INITIATION

JM FINANCIAL

Varun Beverages

Grabbing opportunities, nailing execution



India business – Play on portfolio and distribution expansion

International business - Doubling down on Africa

An execution powerhouse; initiate with 'BUY' and TP of INR 725

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VBL is one of the largest franchisees in the world (outside USA) of PepsiCo. It's well demonstrated tracked record clearly showcases how a large opportunity (soft drinks market of India and Africa with ready access to PepsiCo's brands) is getting tapped through exemplary execution. Its end-to-end execution capabilities and capture of the entire value chain in beverages makes the relationship with PepsiCo symbiotic and evenly matched. Moreover it has been able to capture growth in a profitable manner. We see more legs to growth story in India (portfolio+ distribution expansion) & International business (geographic expansion + market share gains + scale up in Foods).

RECENT REPORTS/INITIATIONS

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JM FINANCIAL

Varun Beverages

Grabbing opportunities, nailing execution

Varun Beverages (VBL), a part of the RJ Corp. group, is one of the largest franchisees (outside the US) of PepsiCo, operating in India (largest franchisee) and several international markets. With sales/EBITDA CAGR of c.23%/29% over CY13-23, VBL is one of the finest examples of a large opportunity (soft drinks market of India and Africa with ready access to PepsiCo's strong brands) getting tapped through exemplary execution. We don't see VBL as just another bottler/3rd party manufacturer. In our view, its end-to-end execution capabilities and capture of the entire value chain in beverages makes the relationship with PepsiCo symbiotic and evenly matched.

The strength of the promoters' vision and execution is evident from a) VBL now accounting for c.90% of PepsiCo's India volume sales, b) c.300bps improvement in relative market share in India over the last 5 years, c) manufacturing capacity expansion apart, VBL's investments in backward integration (c.400bps benefit on margins), d) c.1200bps improvement in EBITDA margin in the last decade despite absorbing low-margin acquisitions, e) visible success in Zimbabwe/Zambia, and now prudently tapping Africa opportunity through acquisition of newer territories (three large markets of South Africa, Congo, Tanzania) and e) creation of a newer revenue driver with VBL getting rights for foods business in certain market of Africa (for 'Simba Munchiez' in Zimbabwe/ Zambia & Cheetos in Morocco).

VBL's track record clearly highlights a) its ability to drive high growth makes it the franchisee of choice for Pepsico in India & Africa and b) it has been able to tap the large opportunity in a profitable manner. We clearly see more legs to the growth story with a) penetration and portfolio play (NCB/energy drinks/ value-added dairy beverages) led growth in an already formidable India business and b) market share gain+ penetration + margin improvement headroom in the Africa business. A well demonstrated track record, large opportunity on offer, faster growth vs peers and a debt-free balance sheet provides confidence on the earnings growth/RoCE profile and justifies premium valuations. We initiate with a BUY rating and TP of INR 725 (55x Dec'26 EPS). Better than expected scale up in Africa a key upside risk while any irrational competitive activity or adverse seasonality are downside risks.

India business – play on portfolio and distribution expansion: VBL's share in PepsiCo's soft drinks total volume sales in India increased to c.90% in CY24, up from <30% in CY11 – a function of geographic expansion and superior execution on go-to-market (GTM) and supply chain. While territory acquisition-led growth opportunity is not much, we see multiple growth drivers in India – a) leveraging Pepsico's innovation capabilities to scale up presence in non-carbonated beverages (NCB), energy drinks – success visible from performance of Sting & Tropicana, b) headroom to expand disitrbution (outlet reach of 4mn vs. universe of 10mn and visi-cooler presence of 1.1mn) – targeting to add 300k-400k retail outlets and 0.1mn visi-coolers per annum, and c) expand/optimise manufacturing capabilities to ensure better servicing of the market. We expect current level of healthy margins to sustain given initiatives in backward integration, low sugar usage and enhanced market reach.

Doubling down on Africa: The Africa growth story is shaping really well with VBL prudently tapping into the large opportunity (headroom to acquire newer territories and gain market share given PepsiCo's relatively weaker share vs. Coca-Cola). With well demonstrated execution in Zimbabwe, Zambia, & Morocco VBL has become a preferred choice as a franchise partner in Africa too – this is evident from acquisition of rights in large geographies like South Africa and Tanzania, and capacity expansion in Congo. Apart from scale-up in these three large geographies, the foods business (currently not factored in our estimates) can become another major growth driver over the long term - three manufacturing plants coming up in Zimbabwe, Zambia and Morocco with revenue potential of USD 100mn {combined TAM of these three regions is USD 800mn} and optionality to get rights for foods in more territories.

An execution powerhouse; initiate with 'BUY' and TP of INR 725: The recent fund-raise through QIP is EPS accretive (by c.7%, despite dilution of c.4%) interest cost savings from debt repayment which is what we have factored in our CY25E. While we await more data points on Tanzania acquisitions, our base case calculations suggest marginal accretion to CY25/26E EPS. With strong execution sustaining, we expect consolidated sales to grow at a CAGR of 18.7% aided by 16.6% volume CAGR over CY24-26E. While margin expansion from current healthy levels is unlikely given the focus on driving volume growth, interest cost savings will drive higher earnings CAGR of 29%, much better vs global peers & highest among our staples/F&B coverage universe. We initiate coverage on VBL a BUY rating and TP of INR 725, valuing at (55x Dec'26E EPS, +1 SD above 5 yr avg).

Recommendation and Price Target	
Current Reco	BUY
Current Price Target (12M)	725
Upside (%)	11%

Key Data – VBL IN	
Current Market Price	INR651
Market cap (bn)	INR2,200.9/US$25.7
Free Float	38%
Shares in issue (mn)	3,248.0
Diluted share (mn)	3,380.7
3-mon avg daily val (mn)	INR3,974.0/US$46.4
52-week range	683/478
Sensex/Nifty	78,507/23,743
INR/US$	85.7

Price Performance			
%	1M	6M	12M
Absolute	4.8	1.2	31.0
Relative*	6.5	2.4	20.6

*To the BSE Sensex

Financial Summary					(INR mn)
Y/E March	CY22A	CY23A	CY24E	CY25E	CY26E
Net Sales	129,246	155,903	197,575	240,277	279,631
Sales Growth (%)	49.5	20.6	26.7	21.6	16.4
EBITDA	27,881	36,095	48,026	57,749	66,938
EBITDA Margin (%)	21.2	22.5	23.7	23.5	23.5
Adjusted Net Profit	14,974	20,559	26,442	36,983	44,285
Diluted EPS (INR)	4.6	6.3	7.8	10.9	13.1
Diluted EPS Growth (%)	115.8	37.3	23.6	39.9	19.7
ROIC (%)	21.0	22.0	22.4	23.6	25.7
ROE (%)	32.6	34.2	22.4	20.2	20.2
P/E (x)	141.2	102.8	83.2	59.5	49.7
P/B (x)	41.4	30.5	13.2	11.0	9.2
EV/EBITDA (x)	77.1	59.9	43.6	35.9	30.5
Dividend Yield (%)	0.1	0.1	0.2	0.2	0.2

Source: Company data, JM Financial. Note: Valuations as of 01/Jan/2025

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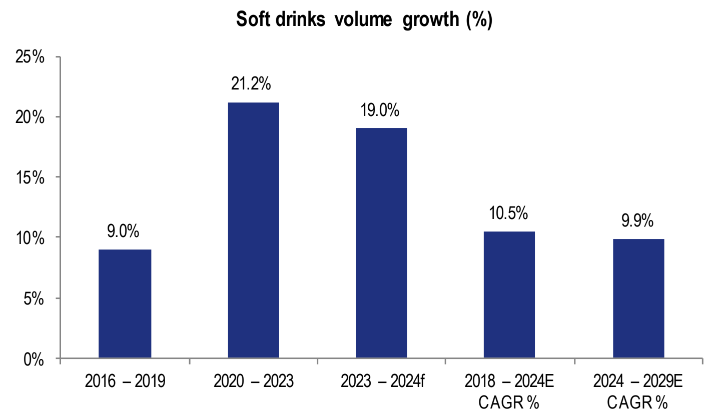
Focus Charts

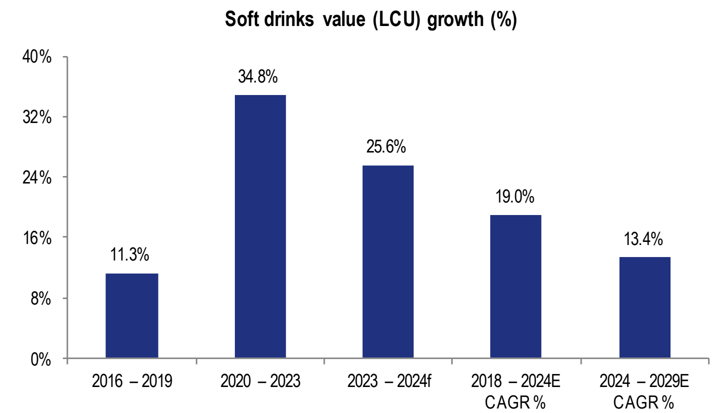
India business – Fortifying presence leveraging PepsiCo's strong portfolio and steady distribution expansion

Exhibit 1. India's soft drinks market volume expected to grow at CAGR of 10% over 2024-2029E



Source: Company, JM Financial

Exhibit 2. …which along with better realisations will drive value CAGR of 13% over 2024-2029E

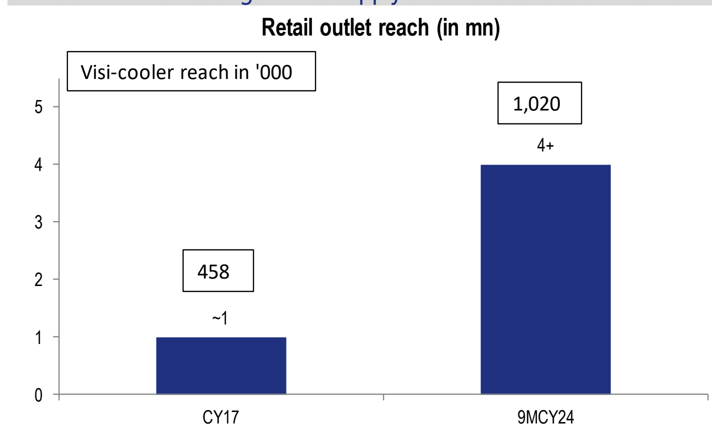


Source: Company, JM Financial

Exhibit 3. Leveraging strong branded portfolio of Pepsi Co…

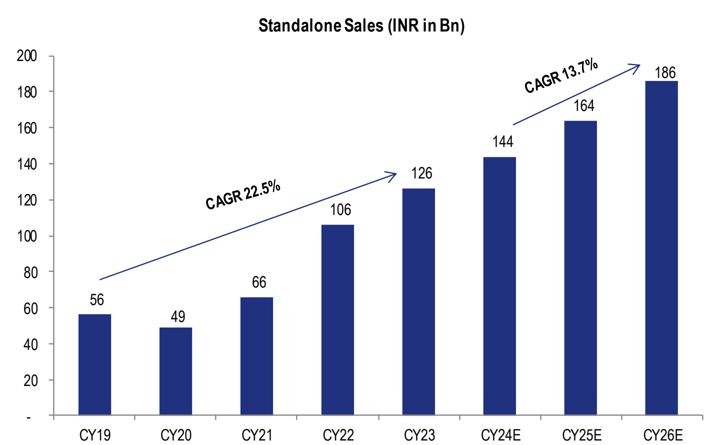
Source: Company, JM Financial

Exhibit 4. …with strength in its supply chain & distribution network



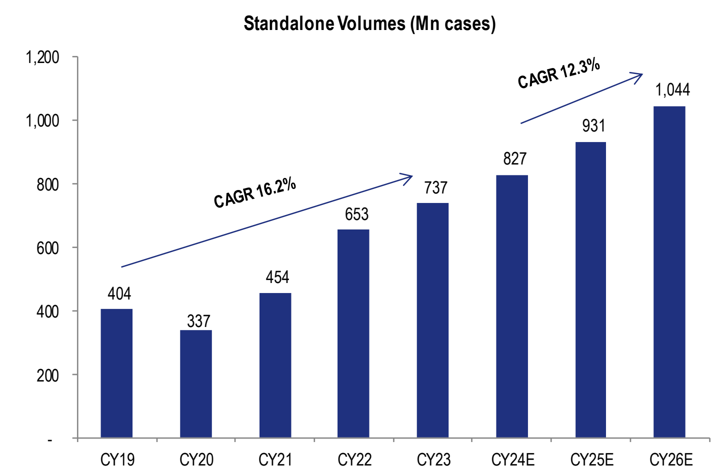
Source: Company, JM Financial

Exhibit 5. VBL's standalone revenue is expected to grow at a CAGR of 13.7% (CY24-26E)…



Source: Company, JM Financial

Exhibit 6. …led by volume CAGR of 12.3%



Source: Company, JM Financial

International Business – Doubling down on Africa (Large TAM + share gain opportunity + Food optionality)

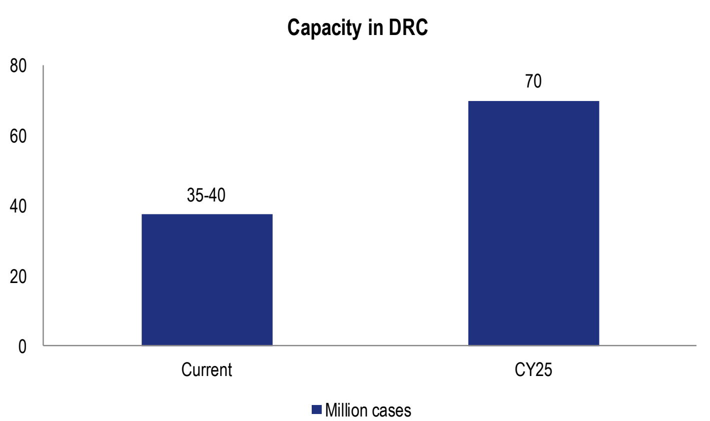
Exhibit 7. Africa story shaping up well…

Source: Company, JM Financial

Exhibit 8. … evident from gaining franchisee rights in large markets of Africa

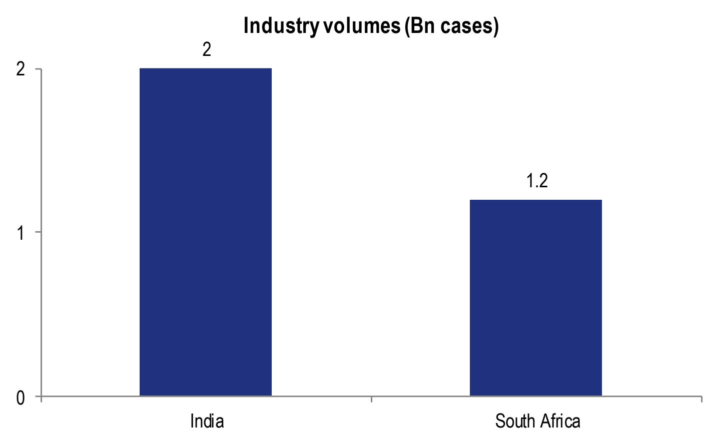
Source: Company, JM Financial

Exhibit 9. Congo - Doubling capacity to drive growth



Source: Company, JM Financial

Exhibit 10. South Africa - Scaling up in largest CSD market



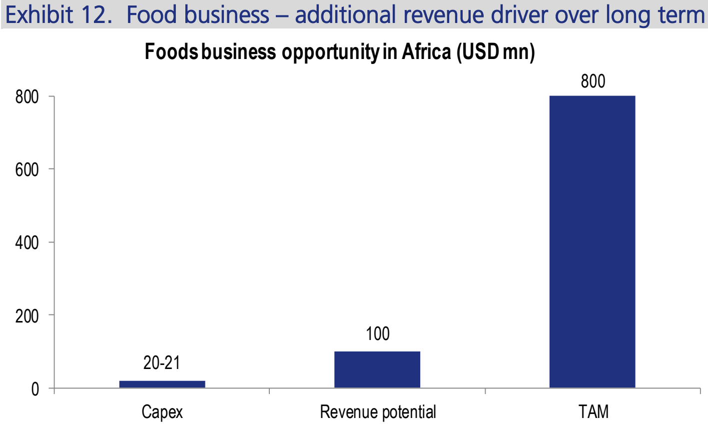
Source: Company, JM Financial

Exhibit 11. Tanzania/Ghana to further boost Africa sales

	FY24	
	SBC (Tanzania+ Ghana)	% of VBL consolidated
Volume (mn cases)	76.3	8.2%
Sales (INR in Bn)	15.4	9.3%
EBITDA (INR in Bn)	2.4	6.3%

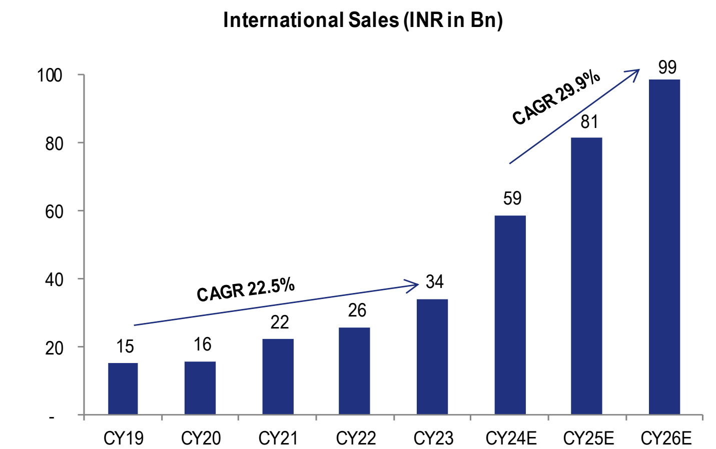
Source: Company, JM Financial

Exhibit 12. Food business – additional revenue driver over long term



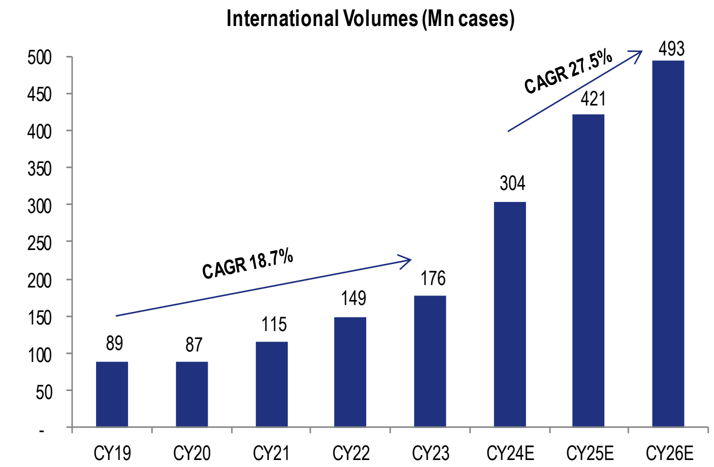
Source: Company, JM Financial

Exhibit 13. VBL's international business revenue is expected to outperform at a CAGR of 29.9% (CY24-26E)…



Source: Company, JM Financial

Exhibit 14. … led by volume CAGR of 27.5%



Source: Company, JM Financial

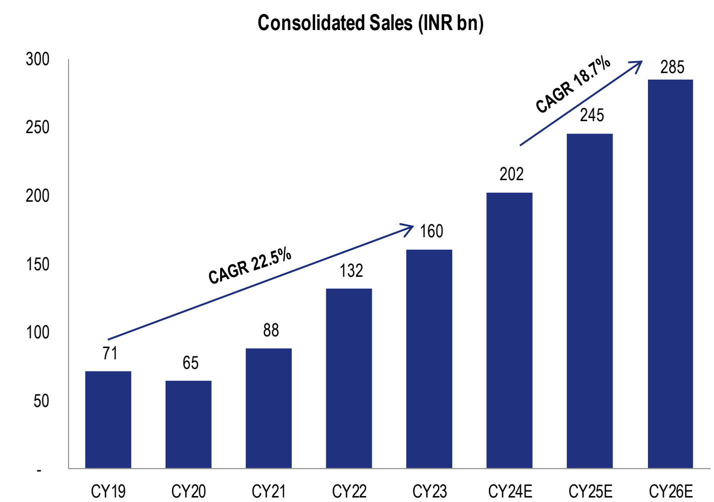
Large opportunity, well demonstrated execution capability provides comfort on earnings visibility

Exhibit 15. VBL has a well demonstrated track record

Key parameters	CY16	9MCY24
No of Countries		
- Indian sub-continent	3	3
- Africa	2	11
No of states in India	17	27
No of production facilities	21	48
Owned depots	71	130+
Owned Vehicles	2,024	2,500+
Primary distributors	1,186	2,500+
Distribution reach	<1mn	4 mn+
Visi-Coolers	458,000	10,20,000+
EBITDA margins	20.60%	25.30%
ROCE	13.80%	26.5%*

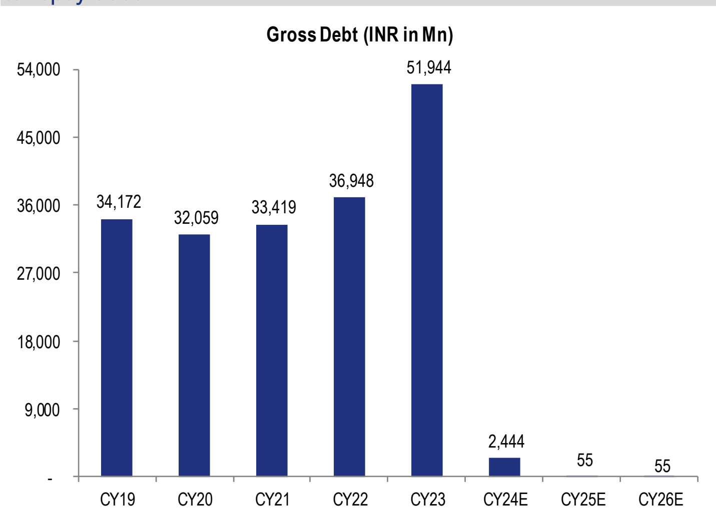
Source: Company, JM Financial,* CY23

Exhibit 16. We build in sales CAGR of 19% over CY24-26E



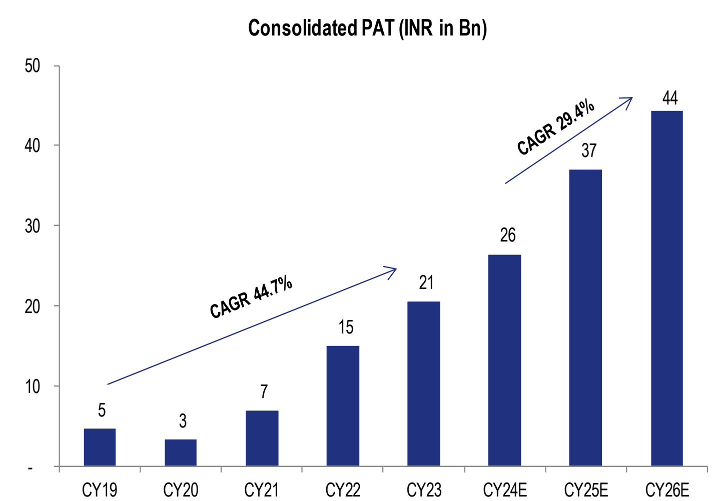
Source: Company, JM Financial

Exhibit 17. VBL to be debt free with QIP proceeds being partly utilised to repay debt



Source: Company, JM Financial

Exhibit 18. Healthy sales growth, stable margins & interest savings to drive strong earnings growth over CY24-26E



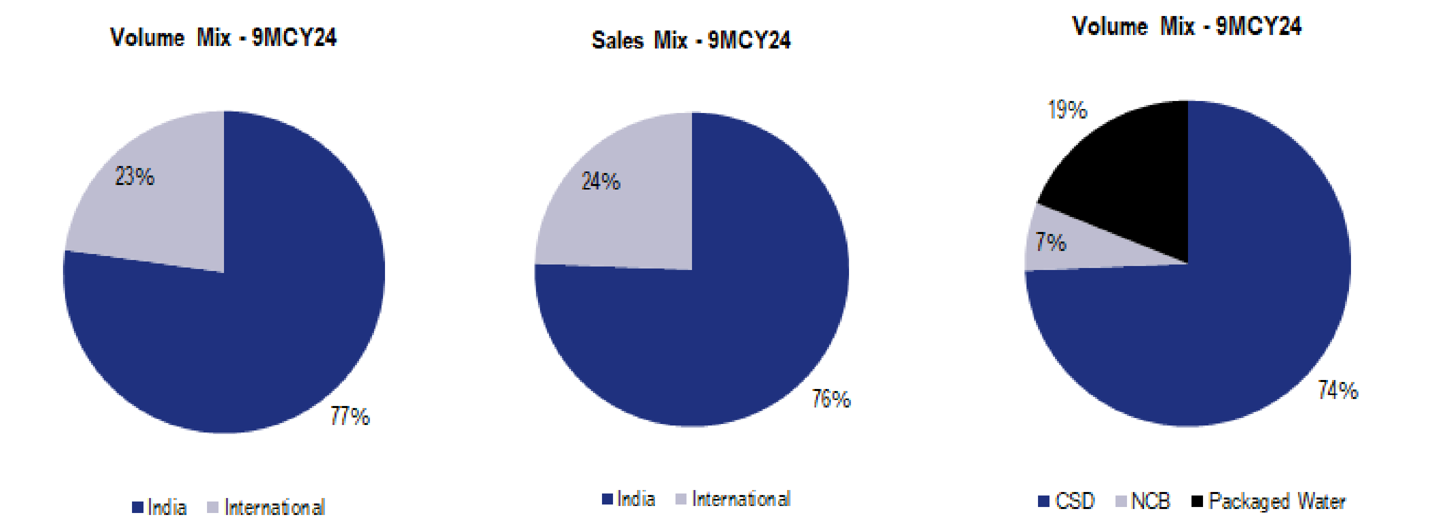
Source: Company, JM Financial

Investment thesis

Largest franchisee (ex-USA) for PepsiCo with strong capabilities

- Key player in soft drinks industry: Incorporated in 1990, VBL (part of RJ Corp group) is a formidable player (one of the largest franchisee of Pepsico, accounting for 90%+ of PepsiCo India volumes) in the global beverage industry with operations (as on Sep'24) spanning across 10 countries with franchise rights and additional 4 countries with distribution rights, collectively serving 1.4bn+ customers (serves 1/6th of world's population). The company sells a wide range of Carbonated soft-drinks (CSDs) as well Non-carbonated beverages (NCBs) including packaged drinking water, juice-drinks.

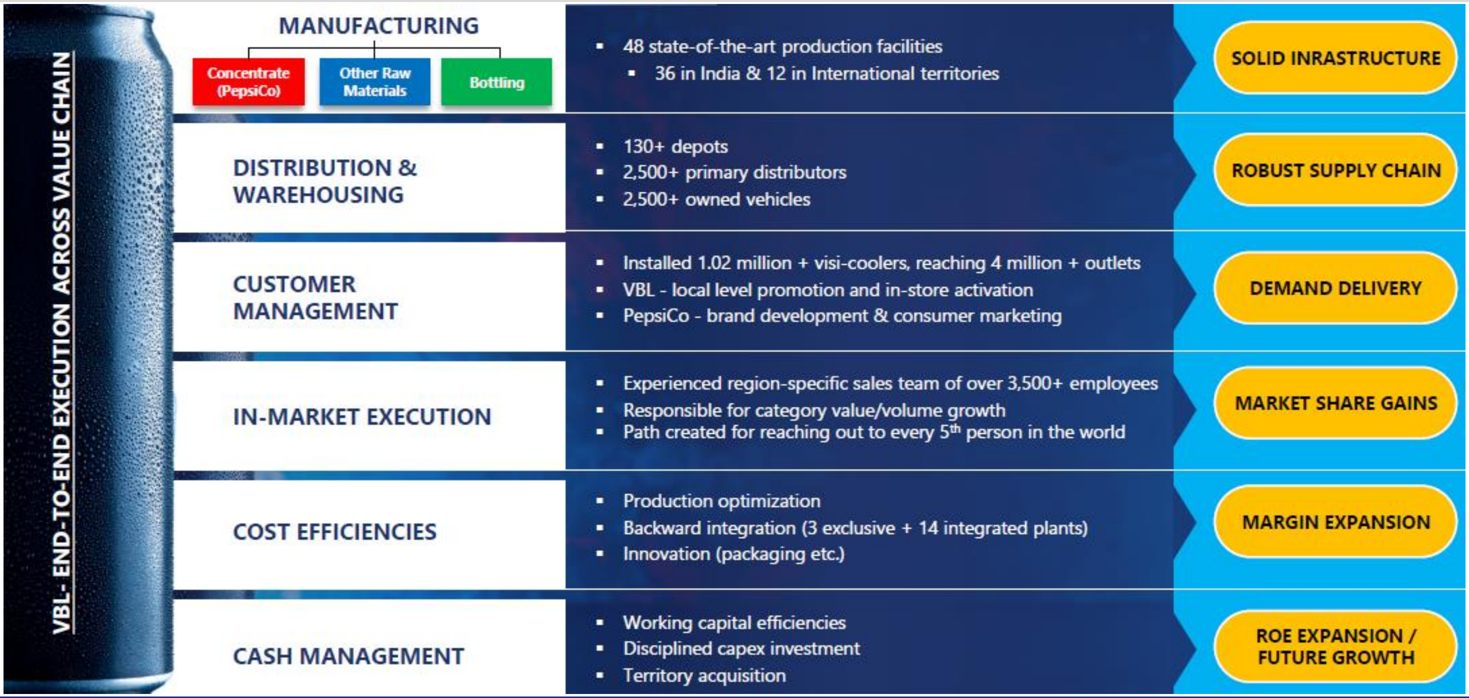
Exhibit 19. India constitutes >75% of sales and volumes; CSD remains the highest contributor



Source: Company, JM Financial

- Strong capabilities across entire value chain in the beverage segment..: PepsiCo owns the brands, supplies concentrates, does R&D investments and undertakes pan-India advertising, marketing and promotion campaigns for its brands. On the other hand VBL is responsible for other key activities like manufacturing, distribution & warehousing, customer management and in-market execution to drive market share gains. This apart, VBL also has strong focus on a) extracting cost efficiencies (product optimization, backward integration and innovation) to drive margin expansion & b) cash management (acquisition of new territories, working capital management, disciplined capex decisions) to drive growth & improve ROE profile.

Exhibit 20. VBL's end to end activities



Source: Company, JM Financial

- ..which makes the relationship with PepsiCo symbiotic and evenly matched We don't see VBL as just another bottler/3rd party manufacturer. VBL does not own the brand, however, its end-to-end execution capabilities and capture of the entire value chain in beverages is as important as activities undertaken by PepsiCo (portfolio innovation, branding). This in our view makes the relationship with PepsiCo symbiotic and evenly matched. We clearly see more legs to the growth story with a) penetration and portfolio play (non-carbonated beverages/energy drinks/ value-added dairy beverages) led growth in an already formidable India business and b) share gain+ penetration + margin improvement headroom in the Africa business. In section below we delve in detail on India & International business as well as how we financials shaping up over CY24-26E.

Exhibit 21. VBL's symbiotic relationship with PepsiCo

Source: Company, JM Financial

India business – Fortifying by strengthening supply chain (distribution + manufacturing capabilities) and leveraging PepsiCo's innovation

After receiving a licensing agreement from PepsiCo through a group company, Varun Beverages Ltd (VBL) was incorporated in 1995 and commenced operations with a manufacturing facility in Jaipur, Rajasthan. But the geographic scale-up through acquisition of newer territories started from CY13 in the India business. Over the next decade, VBL showed superior execution capabilities, thereby becoming PepsiCo's largest franchisee for its products in India (accounting for c.90% of PepsiCo India's sales volume vs <30% in 2011) with operations now across 27 states and seven union territories.

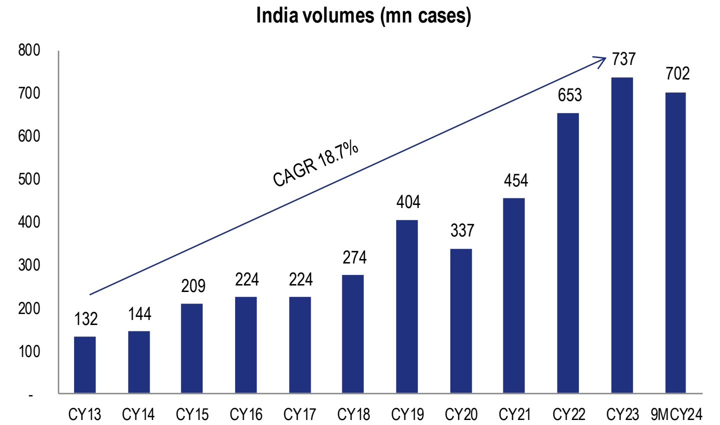
- **VBL's largest market accounting for 81%/79% of its overall volumes/sales:** India's soft drinks market is large and attractive – a combination of PepsiCo's innovation capabilities and VBL's strength in terms of manufacturing and go-to-market (GTM) – putting it in a strong position to tap this opportunity. A large part of geographic expansion (in terms of acquiring new territory) based revenue growth in India is done. In our view, going ahead the India story is about – a) leveraging PepsiCo's innovation and playing its wide portfolio spread across the soft drinks market, and b) distribution expansion. In the sections below we delve on the opportunity size in the domestic market and key growth drivers for VBL in India.

Exhibit 22. Territories acquired in India

CY	2015	2016	2017	2018	2019
Manufacturing units acquired	• Satharia (UP) • Panipat (Haryana) • Bazpur (Uttrakhand) • Jainpur (UP)	• Satharia (UP) • Phillaur (Punjab)	• Bargarh (Odisha) • Mandideep (Bhopal)	• Jamshedpur • Cuttack (Odisha)	• Dharwad (Karnataka) • Tirunelveli (Tamil Nadu) • Bharuch (Gujarat) • Mahul (Maharashtra) • Paithan (Maharashtra) • Roha (Maharashtra) • Mamandur (Tamil Nadu) • Nelamangala (Karnataka) • Palakkad (Kerala) • Sangareddy (Telangana) • Sricity (Andhra Pradesh)
Territory Acquisition	• Punjab • Chandigarh • Himachal Pradesh • Part of Haryana • Part of Uttrakhand • Eastern UP • Central UP		• State of Odisha • Parts of MP	• Chattisgarh • State of Bihar • State of Jharkhand	• State of Karnataka • State of Maharashtra • State of MP • Gujarat • Telangana • Parts of Andhra Pradesh • Kerela • Tamil Nadu • Daman & Diu • Dadra & Nagar Haveli • Andaman & Nicobar • Lakshadweep • Puducherry

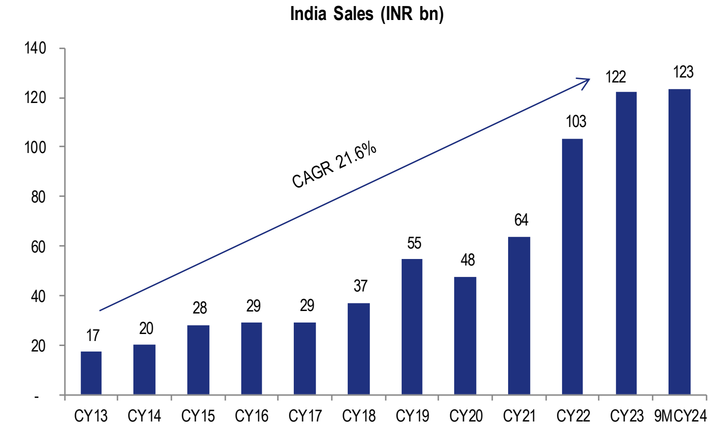
Source: Company, JM Financial

Exhibit 23. India volume grew at a CAGR of 18.7% over CY13-23…



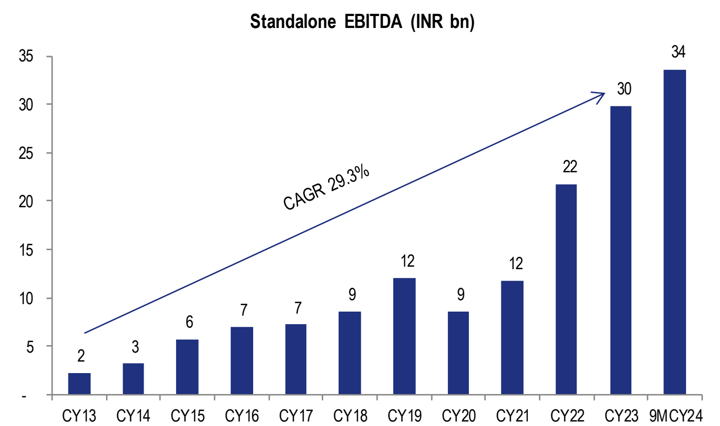
Source: Company, JM Financial

Exhibit 24. …driving sales CAGR of 21.6% over the same period



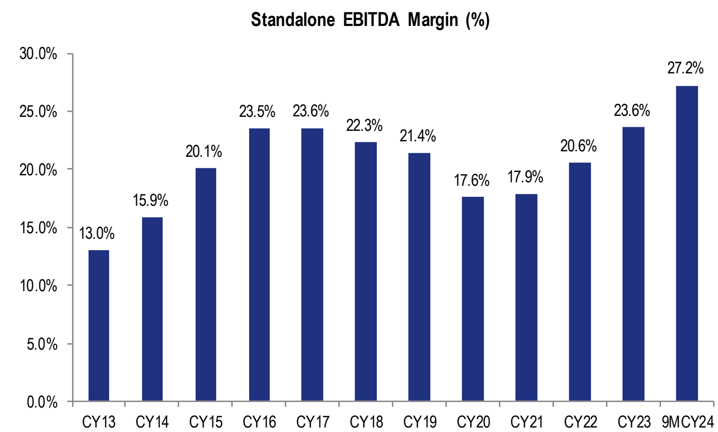
Source: Company, JM Financial

Exhibit 25. Improved mix, cost efficiencies and operating leverage led to an even higher EBITDA growth…



Source: Company, JM Financial

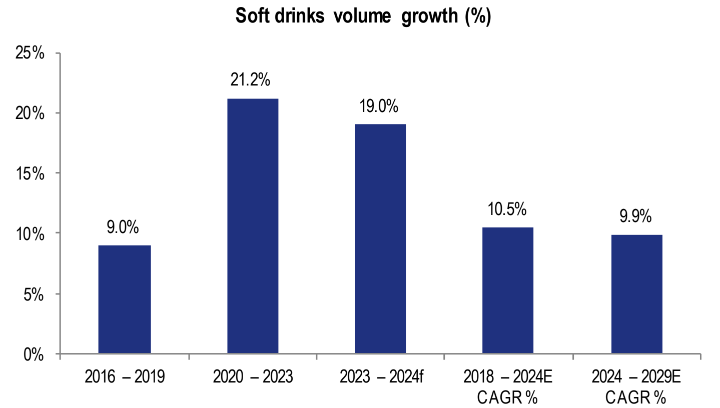
Exhibit 26. …with improving EBITDA margin



Source: Company, JM Financial

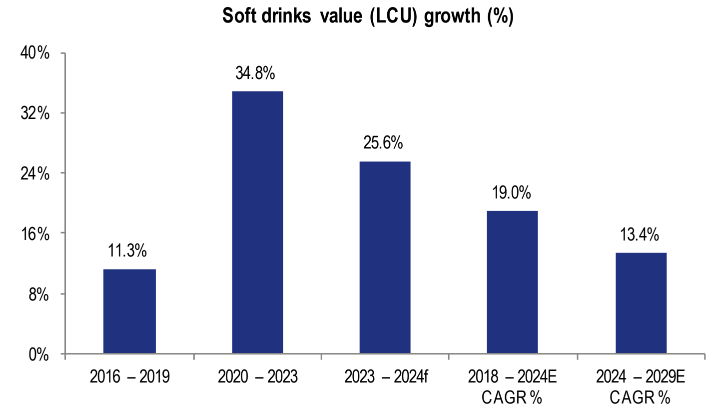
- **Domestic soft drinks market is large and attractive:** India's soft drinks sector recorded volume and value CAGRs of 21.2% and 34.8%, respectively, during 2020 to 2023. Value growth will continue to outpace volume growth during the forecast period (2024 to 2029), owing to rising prices. While per capita consumption has doubled over 10-12 years, it is still lower compared to other developed/emerging economies. This apart, increasing demand for sub-segments like energy drinks, sports drinks, flavoured drinks, and low-calorie products will continue to aid growth in the overall sector. The sector is forecast to register volume and value CAGRs of 9.9% and 13.4%, respectively, during 2024 to 2029 (Source: India Soft Drinks Market Insights 2023 and Global Market Data Insights). VBL too expects high-single-digit to low-double-digit growth for the industry.

Exhibit 27. Soft drinks industry volume expected to grow at a CAGR of 9.9% over CY24-29E…



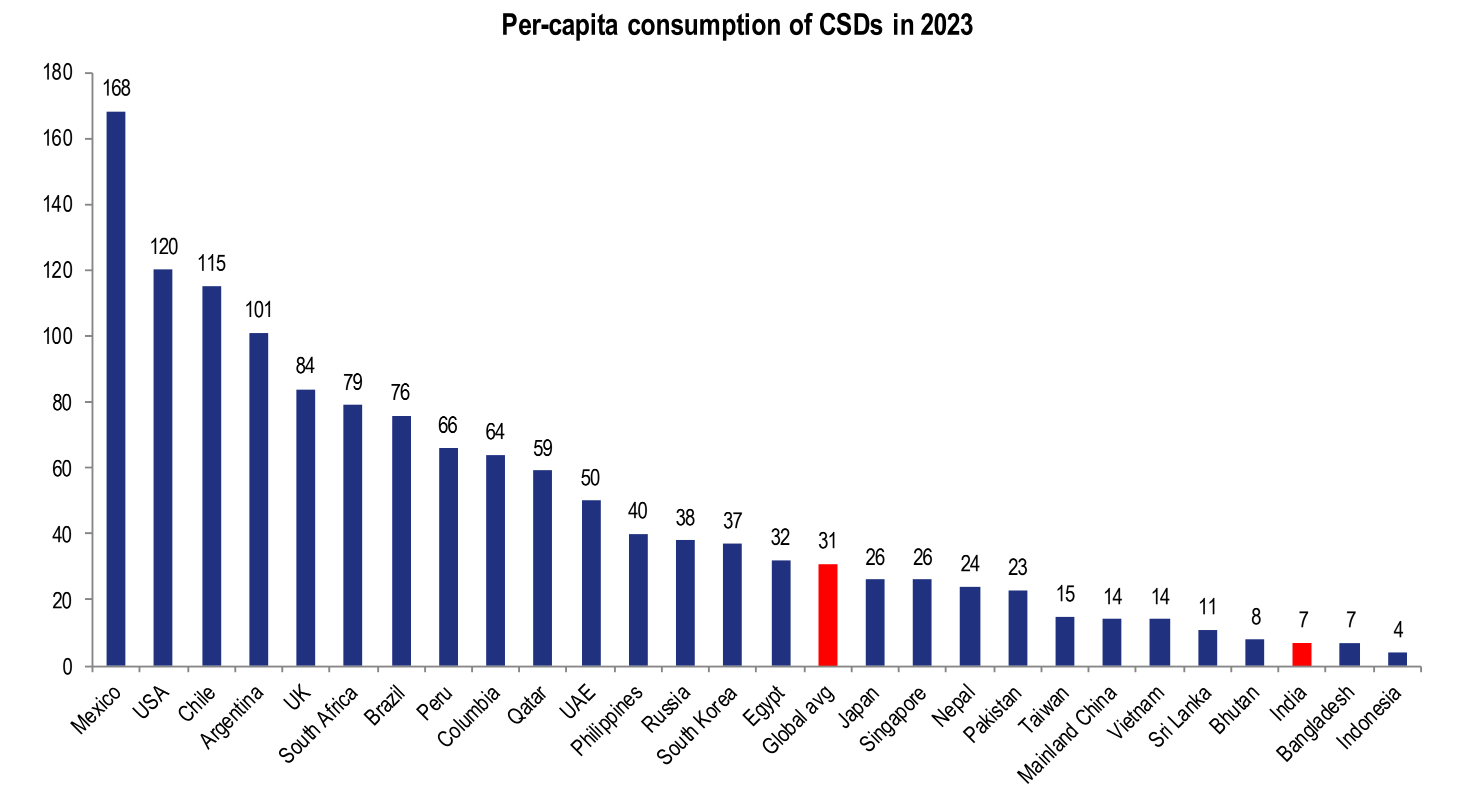
Source: Company, JM Financial, India Soft Drinks Market Insights 2023 and Global Market Data Insights

Exhibit 28. …with value growth estimated at 13.4% over the same period



Source: Company, JM Financial, India Soft Drinks Market Insights 2023 and Global Market Data Insights

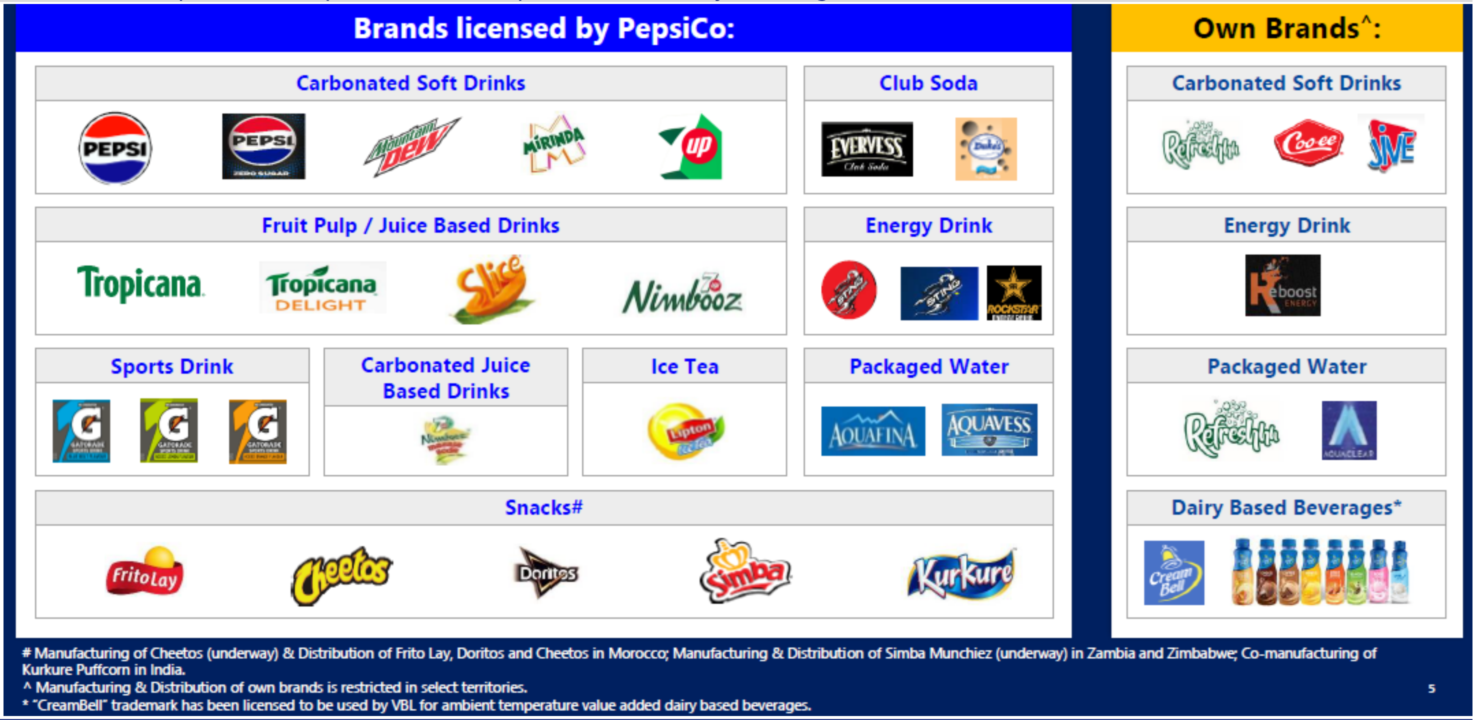
Exhibit 29. India ranks low in per capita consumption of CSDs



Source: Company, JM Financial, India Soft Drinks Market Insights 2023 and Global Market Data Insights

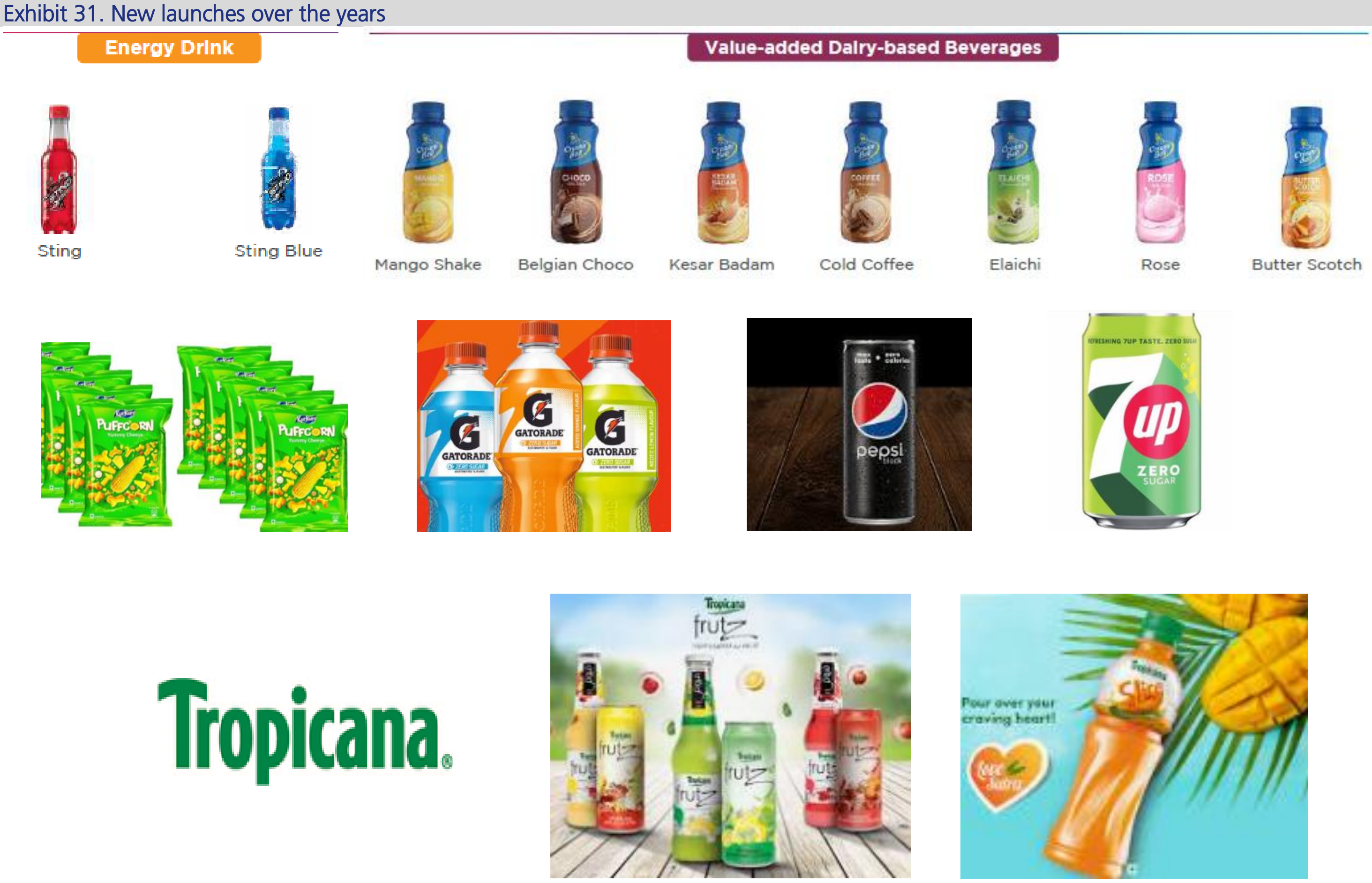
- **Combined strength of VBL (GTM execution) and PepsiCo (strong brand, wide portfolio & innovation capabilities) make them well placed to tap the large market:** Within the soft drinks segment, PepsiCo has a wide portfolio covering almost 90% of the industry through its brand presence in carbonated soft drink (CSD), NCB and packaged water. Within CSD also, PepsiCo has built a large non-cola carbonate portfolio, comprising Mountain Dew, 7UP, Mirinda, and Sting. Over the last decade, with changing consumer preferences PepsiCo has demonstrated its innovation capabilities to create new revenue drivers – for e.g.: a) Mountain Dew in non-cola carbonates has been a key revenue driver over CY14-24, b) democratisation of energy drinks with the launch of Sting through lower price point, which has enabled it to outperform industry growth.

Exhibit 30. Wide portfolio of PepsiCo brands with presence across major sub-segments of soft drink



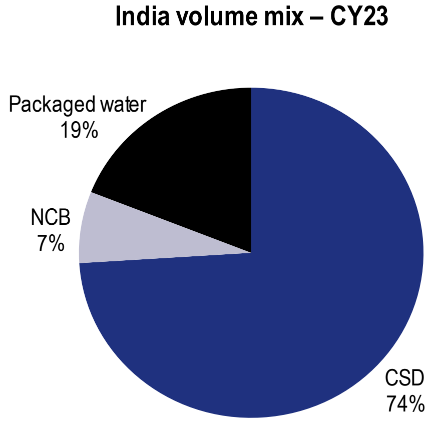
Source: Company, JM Financial

Exhibit 31. New launches over the years



Source: Company, JM Financial

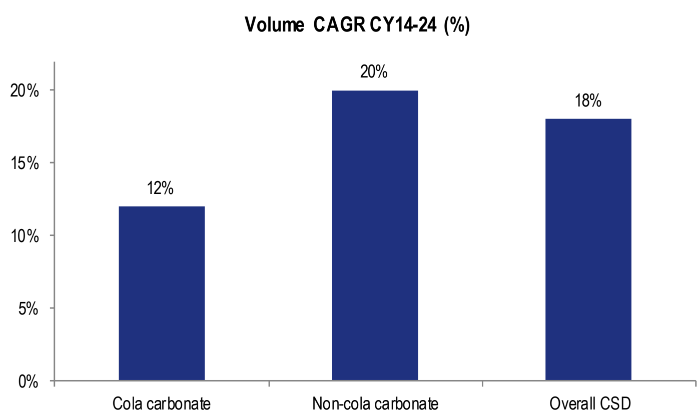
Exhibit 32. CSD constitutes c.3/4th of India's volume



Source: JM Financial estimate

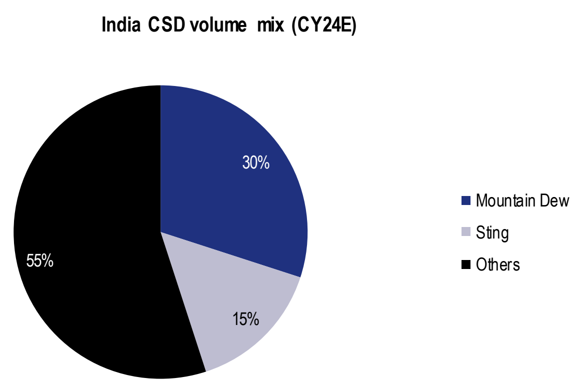
- Strong focus on non-cola CSD portfolio: Compared to global markets, India's carbonate drinks market is more skewed to non-cola carbonates led by brands like Mountain Dew and & 7UP from PepsiCo and Limca/Sprite from Coca-Cola. Our checks suggest that the non-cola carbonates segment has been growing faster than the overall CSD industry led by lemonade/lime-based carbonates, and this is likely to continue. For VBL, as per our estimates, non-cola carbonates volume in India would have grown in high-teens CAGR over CY14-24, faster than low-double-digit CAGR growth for cola-carbonates, thereby becoming a key volume driver for the company. Within non-cola carbonates, Mountain Dew is one of the largest brands in volume terms for the India business (accounting for c.30% of India volume, c.40-42% of CSD volume) and also a key volume driver (our estimate is Mountain Dew volume would have grown in high teens CAGR over CY14-24). Strong execution here is one of the key reasons for PepsiCo's c.300bps share gain in the overall carbonated beverage space over the last 5 years.

Exhibit 33. Our estimate suggests non-cola carbonates grew much faster than cola carbonates, thereby driving overall CSD growth



Source: JM Financial estimate

Exhibit 34. Mountain Dew & Sting have been key outperformers in CSD portfolio



Source: JM Financial estimate

- Solid success in energy drinks (Sting) – a clear testament of PepsiCo's innovation and VBL's execution strength: Apart from VBL's demonstrated capabilities in terms of innovation in non-cola carbonated beverages, it has also been instrumental in developing newer categories – visible from the success of Sting, a carbonated energy drink from PepsiCo in the energy drinks segment. Energy drinks recorded the second-highest annual volume growth in 2023, largely driven by Sting, which falls within the mainstream price segment. Though energy drinks typically constitute a premium category, the positioning of new brands (especially Sting) at inexpensive price points enabled robust growth in

2023. This was especially relevant in a price-sensitive country such as India. The category's mainstream segment posted a volume increase of 68.1%, whereas the premium segment registered much lower growth of 29.8%. This apart, low-calorie innovations, unique flavours, and increasing use of energy drinks as mixers will help sustain the category's growth momentum in the long term.

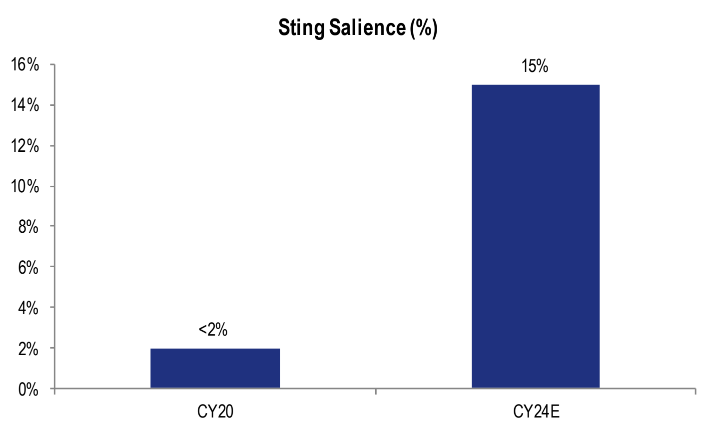
- **Democratised energy drink market, enjoys dominant market share despite launch from competitors:** VBL launched Sting in 2017 at a highly competitive price point (INR 20 for 250ml bottle vs. Red Bull at INR 125 for similar serving) and with ~50% less sugar than the regular CSD products and 70 calories per 250 ML serving. The disruptive product launch has been a huge success, resulting in salience of Sting increasing from <1-2% in CY19/20 to c.15% of overall India volume currently. PepsiCo was the largest company with 72.5% volume share (in 2023), supported by a strong distribution network for its Sting brand. PepsiCo registered the strongest volume growth at 71% annually. On-premise (led by increasing use of energy drinks as mixers) recorded impressive volume growth of 88.5% in 2023, while off-premise volumes grew by 56.7%. While competition has also introduced energy drinks at attractive price points, our checks suggest Sting continues to be the dominant/preferred brand in the segment.

Exhibit 35. Energy drink comparative pricing table

Energy Drink – Comparative pricing				
SKU	Campa Powerup	Thumbs Up Charged	Sting (Red)	Red Bull
Cans (ML)				
250	NA	NA	35	125
300	NA	50	NA	NA
350	NA	NA	NA	165
PET bottle (ML)				
200	10	NA	NA	NA
250	NA	20	20	NA
500	20	NA	30	NA

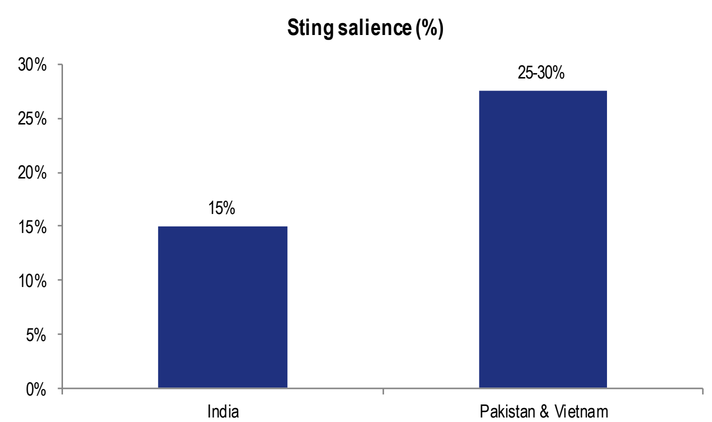
Source: Company, JM Financial

Exhibit 36. Salience of Sting in overall portfolio has increased rapidly from 2% in CY20 to 15% in CY24E…



Source: Company, JM Financial

Exhibit 37. ..however it is still lower when compared to markets like Vietnam/Pakistan



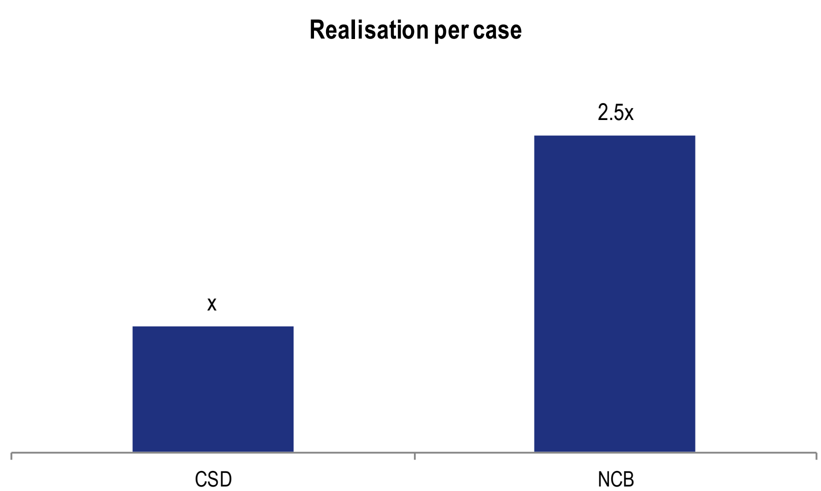
Source: Company, JM Financial

- **Enough headroom to expand and improve salience of Sting:** Having said that, at c.15% of overall volume, the salience of Sting is still lower compared to some of the developing markets like Vietnam/Pakistan where Sting accounts for c.25-30% of PepsiCo's volume. With democratisation of the category and VBL's focus on distribution expansion (Sting currently reaches around 2.8mn outlets), we believe there are more legs to Sting's growth story. We expect mid-high teen volume growth for Sting over CY24-26E (fastest-growing brand in the carbonated soft drink portfolio).

- **Scaling up presence in higher realisation non-carbonated beverages:** Apart from solidifying its presence in carbonated beverages, VBL is also focussing on scaling up the NCB portfolio (Tropicana/Slice/7UP Nimbooz/Lipton Ice tea), Sports Drink (Gatorade) and others (7UP Nimbooz masala Soda) by expanding its distribution network and manufacturing capacities. Moreover realisations in the NCB portfolio is 2.5x of CSD portfolio, increasing salience leads to reduction in relative cost of sugar/concentrate which drives gross margins. Within Packaged water Aquafina & Aquavess are the key brands in PepsiCo's portfolio. While the segment is competitive, has lower realisation but it is a large market and non-seasonal product. Also it allows VBL to offer complete beverage portfolio to channel partner and drive distribution expansion. As per our estimate, NCB business accounts for c.8% while packaged water is c.18-19% of VBL's India volume.

  - **Leveraging distribution strength to scale up Tropicana (juices):** Within the juices segment (100% fruit Juice), Tropicana is one of the leading players with a market share of 11.2%. With rising health awareness prompting consumers to seek healthier variants of beverages, the category volume is expected to grow at a CAGR of 14.3% over CY24-28E. VBL was granted sales and distribution rights for non-carbonated beverages (Tropicana & Gatorade) in 2018. Our estimates suggest that prior to 2018 growth in the NCB portfolio was lower given focus on premium pricing and slower distribution expansion. Post granting rights to VBL, product-pack-pricing architecture was streamlined as per market dynamics and VBL also significantly enhanced the distribution reach for Tropicana from c.50k-60k outlets earlier to 0.5mn outlets now. Moreover, due to its strong CSD presence, VBL has a much stronger visi-cooler network in the market (vs. competition) which also helps in scaling up the NCB/juices portfolio. Also, since initially it was a distribution arrangement, margins were lower (low single digits); however, over time, VBL has invested and strengthened its manufacturing capacities. As a result, realisation in this portfolio has improved and is better than that in the CSD portfolio. Going ahead, VBL's strategy in this segment is to drive market penetration and availability through an expanded distribution network, developing brand preferences through sampling and visibility programmes as well as launching new flavours introduced by PepsiCo.

Exhibit 38. Realisation in non-carbonated beverages is much higher versus CSD &Packaged water

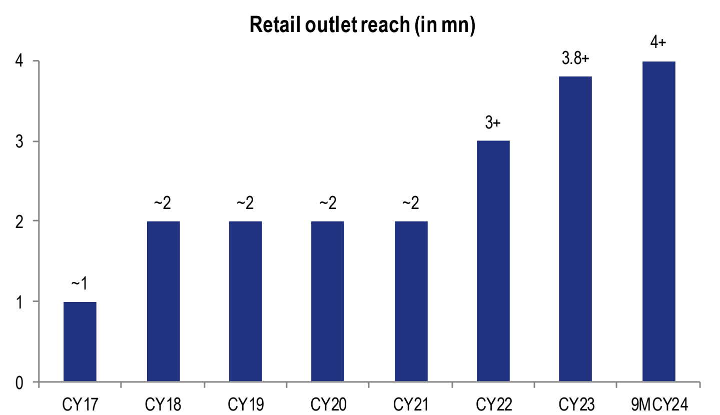


Source: Company, JM Financial

  - **Developing Sports drink category through Gatorade:** Just as they did in the energy market through Sting, PepsiCo and VBL are working on democratising the sports drink category through Gatorade. With focus on driving category development and increasing penetration for Gatorade, VBL and PepsiCo continue to work on new products (launched zero sugar variant) and have introduced SKUs at attractive price points (250ml SKU at INR 20) to drive affordability. Moreover, the CSD lines are fungible and can be used for manufacturing Gatorade too, which will ensure that capacity is not a constraint once the category starts to see acceleration in growth.

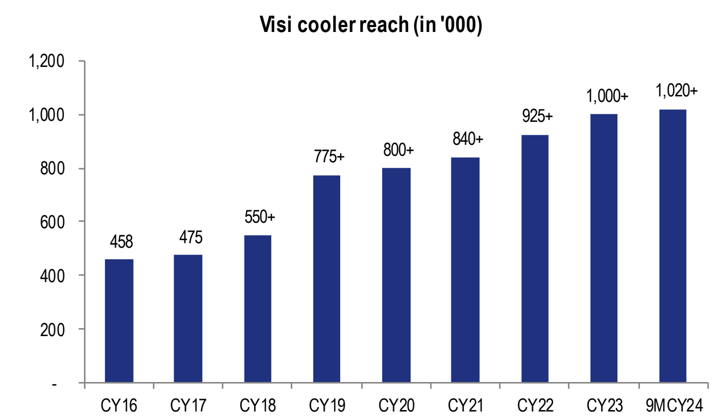
- **Distribution expansion - Steady step-up in outlet reach and addition of visi-coolers, one of the key levers for growth in India business:** VBL has a strong manufacturing set up in India, which allows it to expand its retail outlet reach and provide better market service. Post disruption in the Covid period, VBL increased the pace of distribution expansion. As a result, the retail outlet reach has almost doubled to c.4mn+ outlets in CY24E (vs. 2mn+ in CY20/21). Apart from reach expansion, it is equally important to strengthen the presence in the outlet – addition of visi-cooler in the outlet helps lock in the retailer, provides shelf space for the entire portfolio and improves in-store visibility. Moreover, the chilling infrastructure in high density market helps tap the fast growing single serve/on-the-go consumption and has better margins as the consumer is willing to pay a premium for the chilled product. Like outlet reach, there has been strong pick-up in visi-cooler addition too over CY20-24E (from 800k in CY20 to 1.12mn currently). Our checks suggest retailers also prefer working with PepsiCo/VBL given the strong brand equity, and wide portfolio basket of PepsiCo (catering to all the major soft drink sub-segments) coupled with VBL's superior GTM execution (backed by its large manufacturing base) which ensures timely servicing. The overall strategy is to penetrate more and solidify the position in the domestic market. Given that the overall retail outlet universe is quite huge (at c.10mn-12mn outlets, our checks indicate Coca-Cola reaches more than 5.5mn outlets), there is enough headroom for expansion for VBL, and it targets to add 300k-400k outlets per annum and also intends to increase penetration of visi-coolers, targeting to add 1lakh visi-coolers every year.

Exhibit 39. VBL has aggressively stepped up its outlet reach post covid



Source: Company, JM Financial

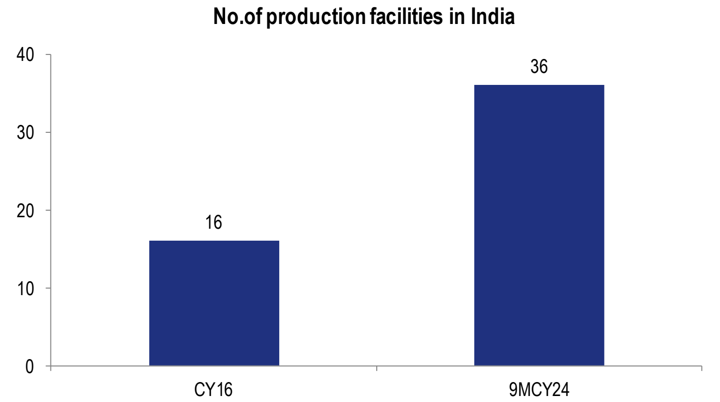
Exhibit 40. Visi cooler reach also has seen steady increase every year



Source: Company, JM Financial

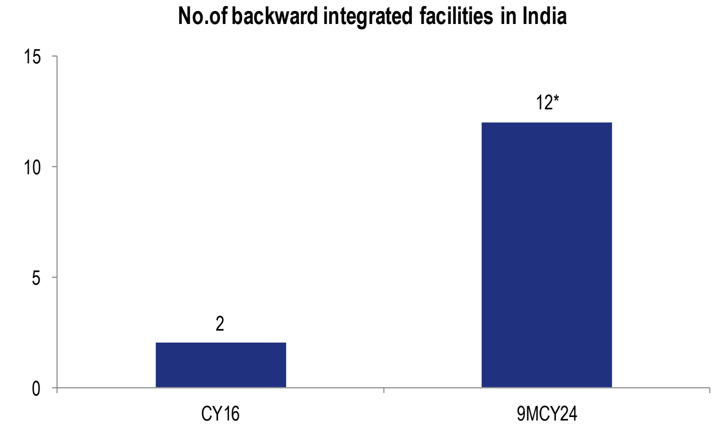
- **Large and well integrated manufacturing infrastructure ensures effective servicing of target market:** VBL has a large manufacturing base comprising 36 beverage production facilities in India. These are strategically located in geographical proximity to various target markets, which results in lower transportation and distribution expenses and enable the company to leverage economies of scale. Further, three of its production facilities, located in Jammu, Jaipur, and Alwar, are completely dedicated to backward integration and manufacture all the packaging materials (preforms, closures or crowns, shrink films, plastic shells, crates, corrugated boxes and pads). VBLs focus on strengthening manufacturing capabilities & extracting cost efficiencies is visible from continued increase in capacity (Since its listing, VBL has commissioned more than 2x production facilities in India) along with acquisition of territories as well as investment behind backward integration.

Exhibit 41. Since its listing, VBL has commissioned more than 2x production facilities in India…



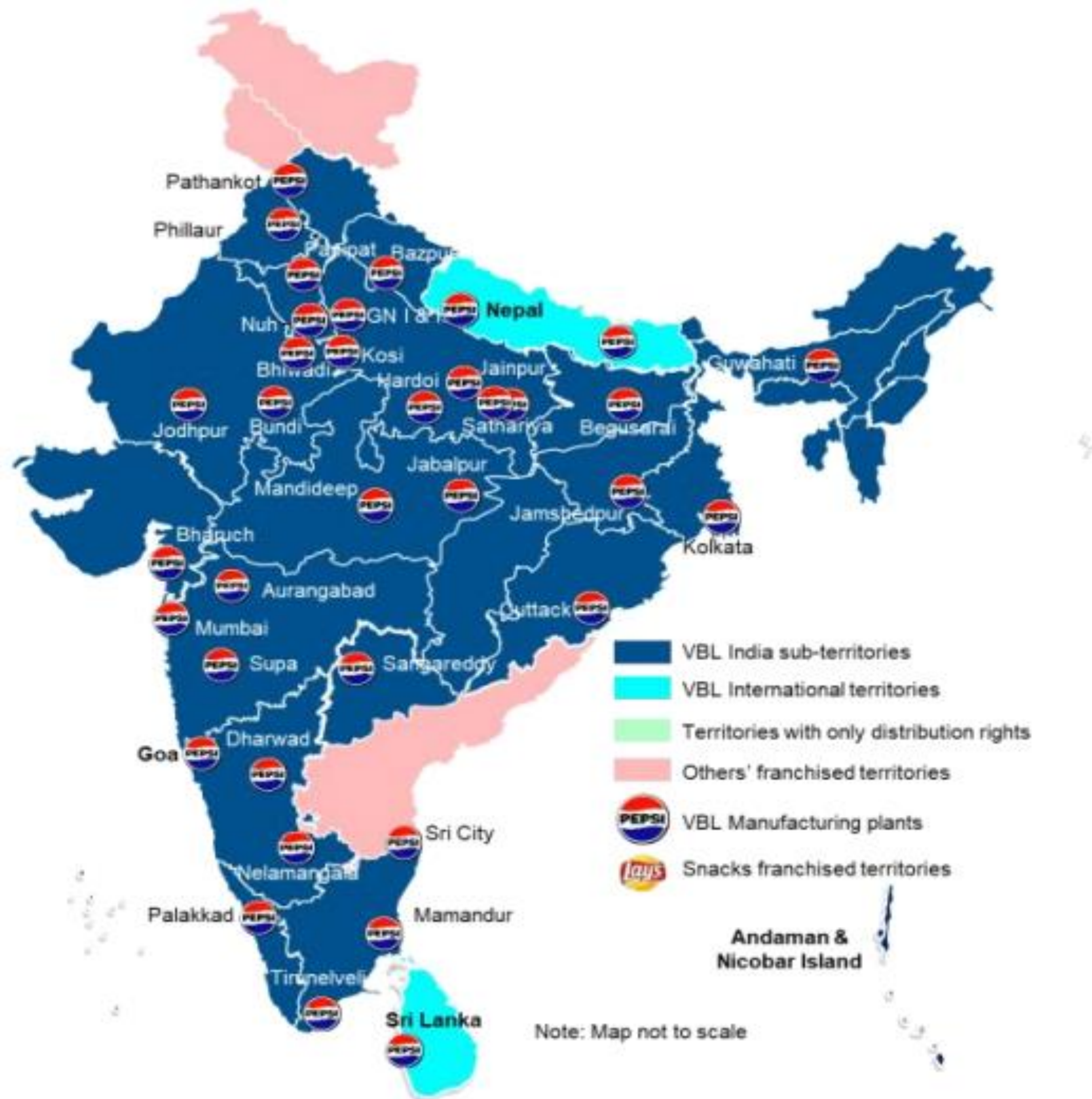
Source: Company, JM Financial

Exhibit 42. … and one-third of its facilities have backward integration



Source: Company, JM Financial. *Out of these, 3 facilities are solely dedicated to backward integration.

Exhibit 43. VBL has 36 manufacturing facilities in India



Source: Company, JM Financial

- We build in India sales CAGR of 14% over CY24-26E: India volumes have grown at a CAGR over 19% over CY13-23 primarily led by acquisition of new territories along with innovation, and distribution expansion. With VBL now having franchisee rights for 27 states, scope for territory acquisition led growth is largely done. Going ahead, over CY24-26E, we expect India volumes to grow at a CAGR of 12% - a) mainstay CSD volumes to grow in low double digits (led by sting – factoring mid-teen volume growth), b) we expect NCB to outperform as we built in volume CAGR of 20% and c) low double digit CAGR for packaged water over the same period. This along with steady uptick in realisation will aid sales CAGR of 14% over CY24-26E. We are not building margin expansion from current peak levels as we believe focus for VBL in India will be to drive volume growth and market share.

International business – Doubling down on Africa

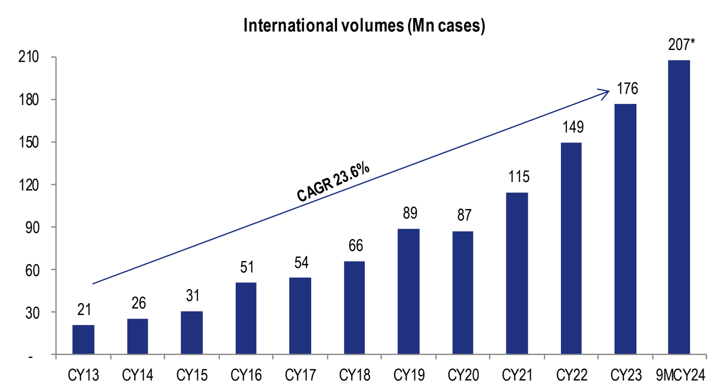
Similar to India, VBL has successfully leveraged its association with PepsiCo to expand its operations internationally. The international business accounts for 26% of overall volume (as on 9MCY24), wherein VBL is engaged in production and distribution of soft drinks under trademarks owned by PepsiCo in two countries in the Indian sub-continent (Nepal, Sri Lanka) and various African countries (franchisee rights in Morocco, Zambia, Zimbabwe, South Africa, Lesotho, Eswatini & DRC and distribution rights for Namibia, Botswana, Mozambique and Madagascar). Recently, the company also announced acquisition of 100% stake in SBC Beverages (PepsiCo's bottler in Tanzania and Ghana). Apart from tapping the soft drinks opportunity in Africa, VBL has been granted franchise for PepsiCo snacks brands such as Lay's, Cheetos and Doritos in Morocco until 31st Dec'27 and Simba in Zimbabwe and Zambia until 31st Jan'28.

Exhibit 44. International business – key performance indicators (CY23)

International Subsidiary	Sales (INR in Mn)	EBITDA (INR in Mn)	EBITDA margin (%)	PBT (INR in Mn)
Varun Beverages (Nepal) Private Limited	4,804	1,122	23.4%	890
Varun Beverages Lanka (Private) Limited	2,767	373	13.5%	449
Varun Beverages Morocco S.A	10,061	726	7.2%	447
Varun Beverages (Zambia) Limited	3,403	-146	-4.3%	-406
Varun Beverages (Zimbabwe) Private Limited	14,229	2,581	18.1%	2,112

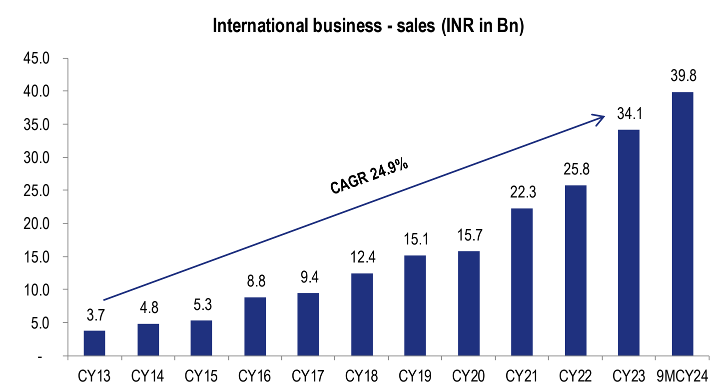
Source: Company, JM Financial

Exhibit 45. International volume grew at a CAGR of 23.6%…



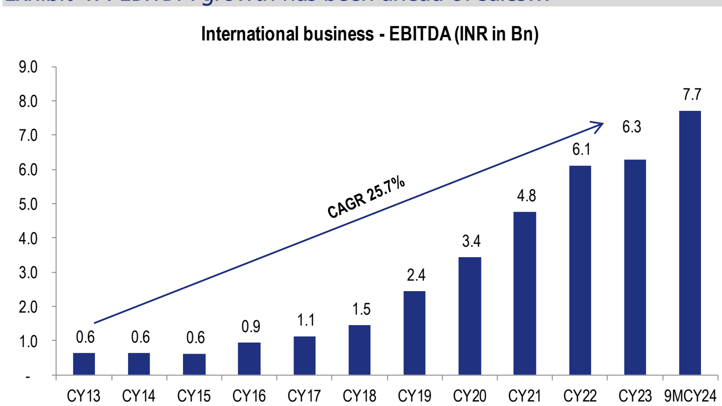
Source: Company, JM Financial.

Exhibit 46. …while sales grew at a CAGR of 24.9% over CY13-23



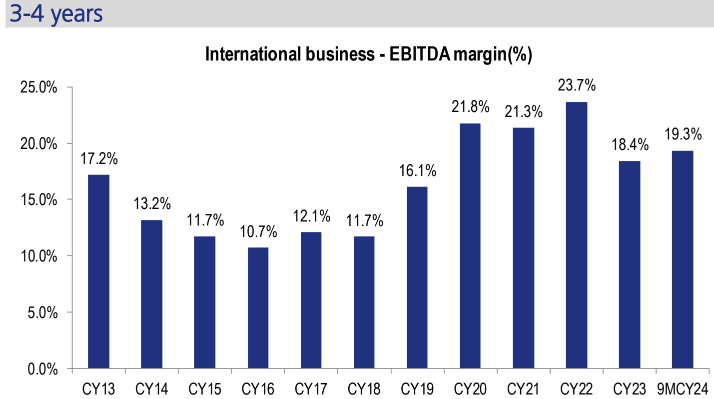
Source: Company, JM Financial

Exhibit 47. EBITDA growth has been ahead of sales…



Source: Company, JM Financial

Exhibit 48. ..with margins improving to high-teen/low 20s over past 3-4 years



Source: Company, JM Financial

- **Proven execution track record:** VBL has proven execution capability in majority of its overseas territories, visible from substantial improvement in market share vs. marginal share at the time of acquisition of distribution rights. Moreover, over past decade with improvement in scale and investment behind integrated manufacturing capacity, VBL has been able to extract efficiencies thereby resulting in improvement in margin profile of International business.

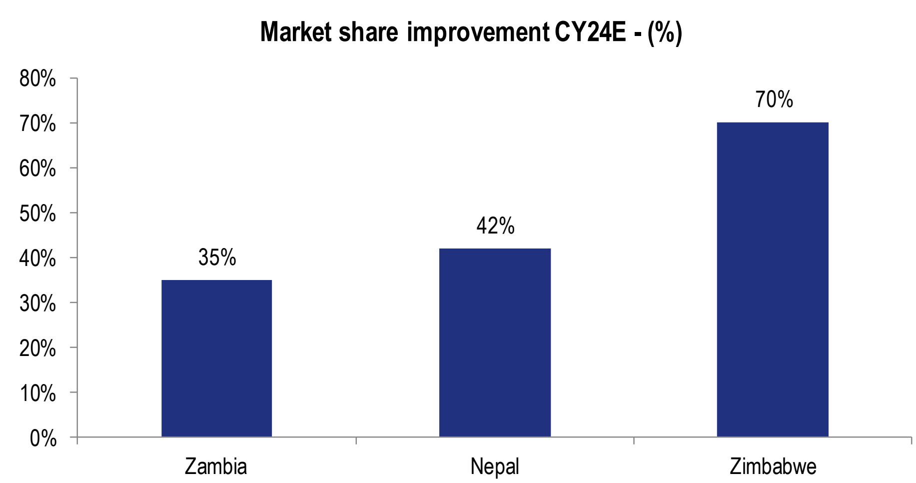
- **Africa - Headroom for geographic expansion, drive market share gains + Foods optionality**: Africa is a large beverage market, with Coca-Cola enjoying formidable position in many of the markets. Our estimate indicates that Coca-Cola's Africa operating unit clocked volumes of 2.5bn cases in CY23 (c.7.6% of its overall volumes of 33.3bn cases). We reckon that PepsiCo is focusing on enhancing its market strength in Africa by growing its franchise based operations. This we believe is beneficial for VBL as we expect it to be a preferred choice of partner for Pepsico given its well demonstrated track record in Indian market. Procurement of distribution rights for Democratic Republic of Congo (DRC), acquisition of Bevco (PepsiCo's bottler in South Africa) and announcement of acquisition of 100% stake in SBC Beverages (PepsiCo's bottler in Tanzania and Ghana) validates this.

Exhibit 49. Acquisition of territories and food opportunities in Africa

Year	Name of the company	Country	% stake acquired	Acquisition Value (INR in mn)
CY2024	SBC Tanzania Ltd	Tanzania	100%	13,040.0
CY2024	SBC Beverages Ghana Ltd	Ghana	100%	1,271.0
CY2024	The Beverage Company Proprietary Limited	South Africa	100%	13,200.0
CY2023	Varun Beverages (Nepal) Private Limited	Nepal	100%	625.0
CY2012				171.6
CY2017	Varun Beverages (Zambia) Limited	Zambia	30%$	719.2
CY2016			60%$	1,755.2
CY2016	Varun Beverages (Zimbabwe) (Private) Limited	Zimbabwe	85%*	0.1
CY2012	Varun Beverages Lanka (Private) Limited	Sri Lanka	100%	235.1
CY2012	Varun Beverages Morocco SA	Morocco	100%	228.9

Source: Company, JM Financial
$Acquisition from Arctic International Private Limited and subsequent stake increase
*Incorporation of company

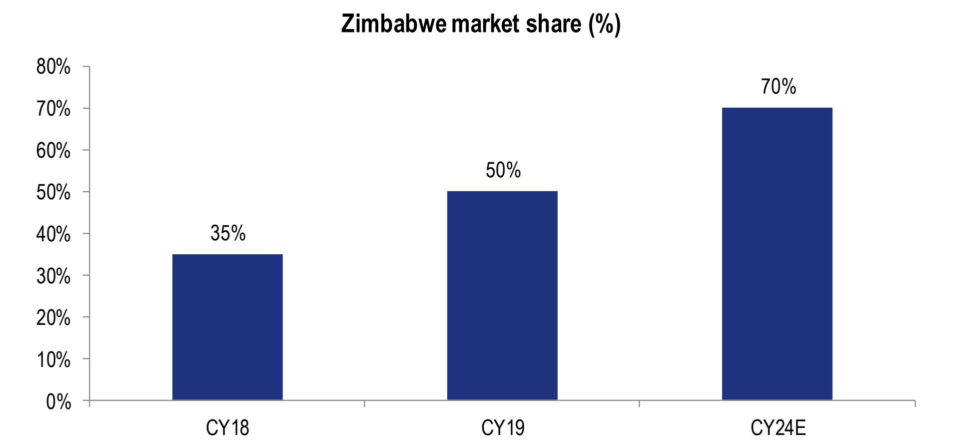
Exhibit 50. Market share in Zambia, Nepal and Zimbabwe (CY24E) have seen substantial improvement versus sub-optimal share during acquisition



Source: Company, JM Financial

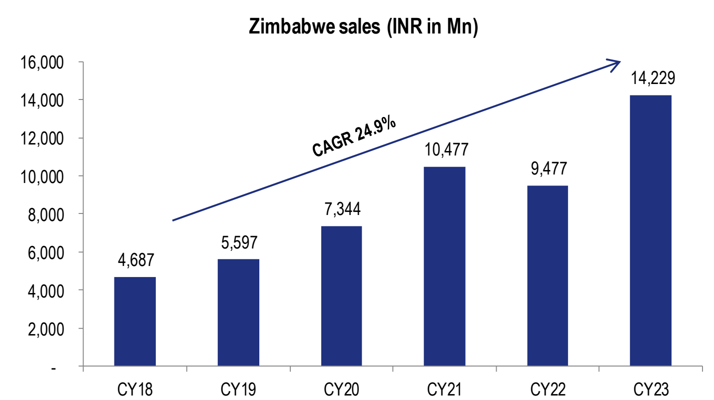
- Zimbabwe – Largest and highly profitable business within the international piece: VBL entered Zimbabwe in 2017 with greenfield capacity (earlier it was exporting from Zambia). It was a 35mn-40mn-cases market back then. From a marginal presence, VBL garnered upto 35-40% market share (crossed 10mn cases threshold for the territory to be profitable) in 2018 itself, reached 50% share by CY19 and now enjoys a dominant market share of c.70%. This is reflected in its financials – VBL Zimbabwe clocked sales of INR 14bn in CY23 (vs. < 5bn in CY18) and enjoys high-teens-to-low-20s EBITDA margin. This success was led by capacity expansion, strong distribution expansion and right product pricing. Besides, an additional revenue driver has been created in terms of the foods opportunity – VBL entered into an exclusive snack franchising appointment to manufacture, distribute and sell "Simba Munchiez" in Zimbabwe by Oct'25.

Exhibit 51. Market share has almost doubled in Zimbabwe over last 5-6 years



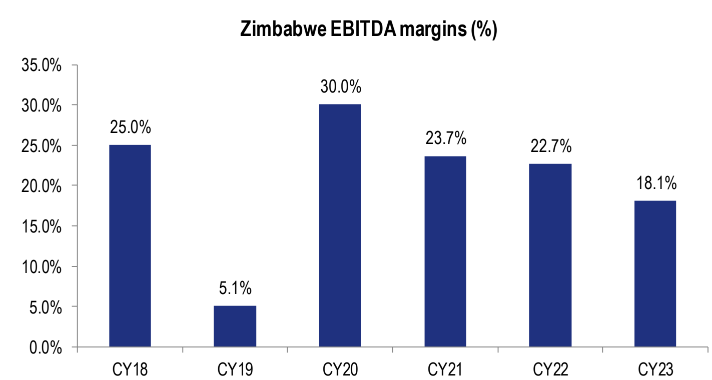
Source: Company, JM Financial

Exhibit 52. Zimbabwe sales have grown at CAGR of 25% over CY18-23…



Source: Company, JM Financial

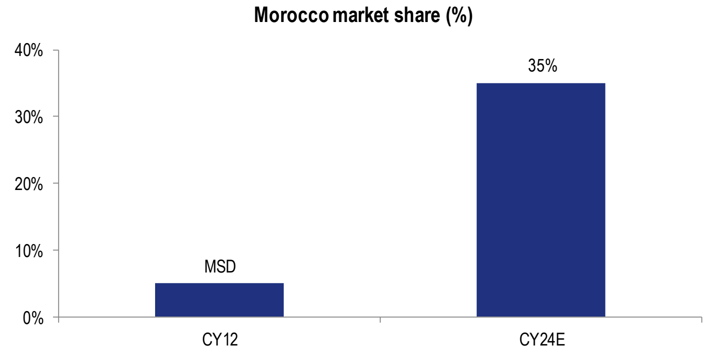
Exhibit 53. …with margins sustaining in high-teens to low 20s over past 2-3 years



Source: Company, JM Financial

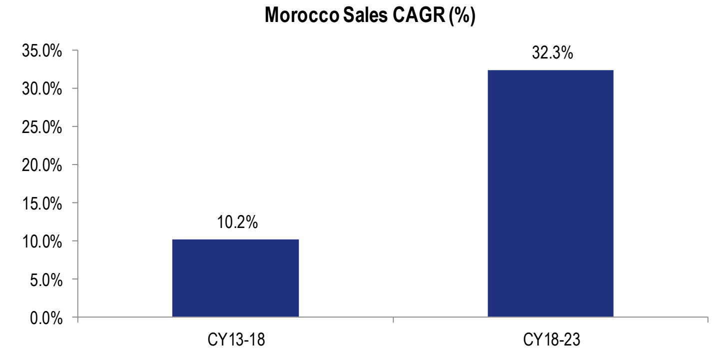
- Morocco - a sizeable business for VBL, snack opportunity to further aid revenue over long term: Morocco territory became a subsidiary of VBL in 2012. Over the last decade sales (in INR terms) has grown at a CAGR of 21%. However, the acceleration in sales occurred in the second half of the decade (sales CAGR of 32% over CY18-23 vs. 10% over CY13-18). This is also visible from substantial improvement in market share (from mid-single digits earlier to now mid-30s). With healthy uptick in sales, the business turned profitable at operating level in CY19 and has been in the green at PAT level too since CY21. This was driven by capacity additions, introduction of packaged water and reduced discounting. This apart in 2022, VBL Morocco received distribution and selling rights of PepsiCo's snack products, namely, "Lays, Doritos and Cheetos" and began doing that from Jan'23 (PepsiCo's snack business was c. INR 1.5bn at that point in time and Morocco is the first territory where VBL got rights for the snacks business). As the business scaled up, VBL got manufacturing and packaging rights for Cheetos, which complements its existing distribution of PepsiCo's snack portfolio, marking another step forward in the strong symbiotic partnership between the two companies, and can become a key growth engine over the medium to long term.

Exhibit 54. Substantial improvement in market share…



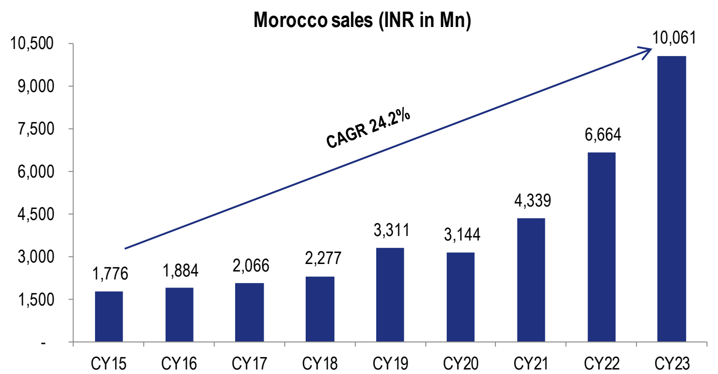
Source: Company, JM Financial

Exhibit 55. …facilitated by acceleration in sales CAGR over CY18-23



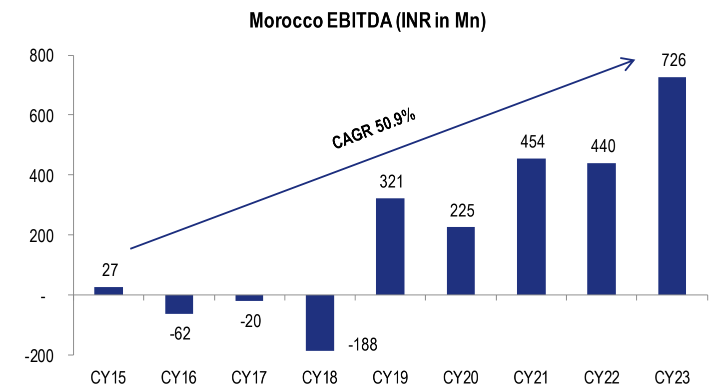
Source: Company, JM Financial

Exhibit 56. Robust growth in sales …



Source: Company, JM Financial

Exhibit 57. … with business turning profitable from CY19

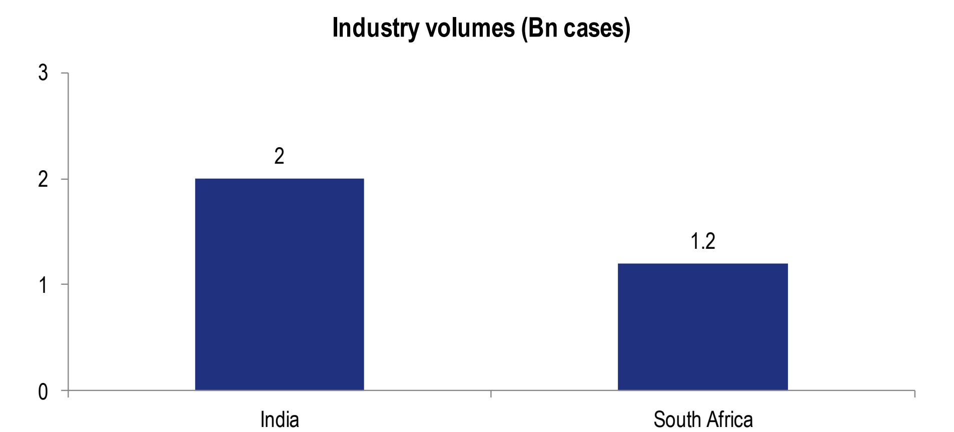


Source: Company, JM Financial

- **Capacity expansion to further accelerate penetration in Congo:** VBL entered the Democratic Republic of Congo (DRC) at the end of CY21, initially importing finished products (carbonated and non-carbonated beverages) from Morocco and Zambia. DRC is a relatively newer market for PepsiCo, has a population of 100mn+ (vs. Zimbabwe at 16mn-18mn) and a much warmer climate (near the Equator), which makes it a much larger CSD market. Post better understanding of market dynamics, VBL announced setting up of a greenfield capacity in CY23 that got commissioned in mid-2024 and was swiftly ramped up to 100% utilisation (on three-shift basis). Seeing the strong traction (sold c.5mn cases in 1.5 months) and given the capacity constraints (one facility with 35mn-40mn cases capacity could only serve 50-60% of the market), VBL moved forward with expansion plans including backward integration and setting up of the second facility (doubling the capacity to 70mn cases) which is expected to commence operations in CY25 (partly in Jan-Feb and the rest in Jul-Aug).
- **South Africa - Attractive opportunity given large TAM, enough headroom to gain market share and improve profitability:** As per industry estimates, South Africa is the largest soft drinks market in Africa, with volume close to c.1.2bn cases, which is almost half the size of the Indian market (c.2bn cases). The Beverage Company (BevCo, acquisition announced in 4QCY23) is involved in manufacturing as well as distribution of PepsiCo brands (which accounts for just c.15% of its overall volume) and own brands (Refreshhh, Coo-ee, Jive, Reboost which account for the balance 85% of volume). Moreover 90% of the portfolio offering is in low- or no-sugar products. The industry structure is favourable with equal share between local and global brands. BevCo’s own brand has mid-teens

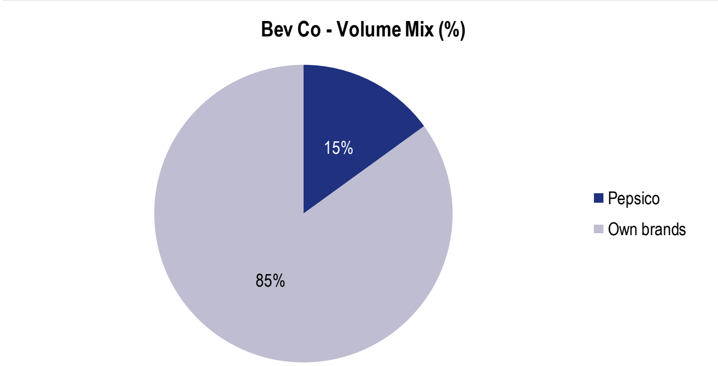
market share within local brands while PepsiCo's market share is quite low at c.2-3% within global brands. Further, the realisation of the owned brand is c.30% lower vs. PepsiCo brand. Currently, VBL is in the process of integrating the existing distribution network with the territories acquired in South Africa, Lesotho, and Eswatini, as well as territories with distribution rights in Namibia and Botswana, and TDRs effective 1st Apr'24 in Mozambique and Madagascar. This will ensure cost and operational efficiencies as well as economies of scale. As of FY23, BevCo with volumes of c.117mn has overall volume market share of c.10%, and given PepsiCo's low market share in the region we expect VBL's focus to be on increasing salience and overall market share of the PepsiCo portfolio, as well as improving profitability (currently at 12% and can move to mid-teens over the next 2-3 years with increasing share of PepsiCo products) which provides a significant value creation opportunity.

Exhibit 58. South Africa is a large market with volume almost half of Indian market



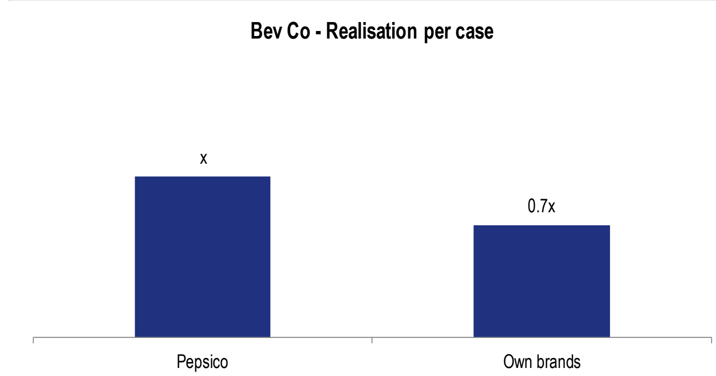
Source: Company, JM Financial

Exhibit 59. Volume mix (%) of BevCo



Source: Company, JM Financial

Exhibit 60. Realisation per case of BevCo



Source: Company, JM Financial

Exhibit 61. Transaction details of 100% acquisition of BevCo, South Africa

Transaction details of Bev Co	FY24*		
	Bev Co	VBL Consolidated	% of VBL Consolidated
Volume (mn cases)	117	860	13.6%
Sales (INR in Bn)	15.9	151.6	10.5%
EBITDA (INR in Bn)	1.9	33.2	5.7%
EV (INR in Bn)	13.3		
EV/sales	0.8		
EV/EBITDA	7.0		

Source: Company, JM Financial. *Volume and Financial data for July'23-June24

- **Tanzania & Ghana – headroom to improve market share and profitability:** In line with VBL's ambition to scale up and tap the large Africa opportunity, the company recently announced acquisition of 100% stake in SBC Beverages (PepsiCo's bottler in Tanzania and Ghana). As of 1HCY24, PepsiCo/Coca Cola's relative volume market share stood at 56%/44% in Tanzania and 13%/87% in Ghana. In terms of volume, our checks suggest that the CSD market size of Tanzania/Ghana is c.220mn/20mn cases, which translates into overall market share of c.34%/c.12% for PepsiCo. In our view, the Tanzania business with high market share, sales of INR 15bn (volume of 74mn cases and capacity of 100mn cases) and margin of c.16% is pretty well run and the opportunity here will be to scale up EBITDA margin through backward integration. Another potential opportunity can be foods in future similar to what has been seen in Zimbabwe, Morocco and Zambia.

Exhibit 62. Transaction details of acquisition of Tanzania and Ghana territory

Transaction details of Tanzania & Ghana	FY24				
	SBCT	SBCG	SBC (Tanzania+ Ghana)	VBL* Consolidated	% of VBL consolidated
Volume (mn cases)	74	2	76	930	8.2%
Sales (INR in Bn)	15.1	0.3	15.4	164.7	9.3%
EBITDA (INR in Bn)	2.4	-	2.4	38.0	6.3%
Equity value (INR in Bn)	13.0	1.3	14.3		
EV (INR in Bn)	17.5	1.9	19.4		
EV/sales	1.2	5.8	1.3		
EV/EBITDA	7.3	NM	8.0		

Source: Company, JM Financial *Data for April'23-Mar'24 period

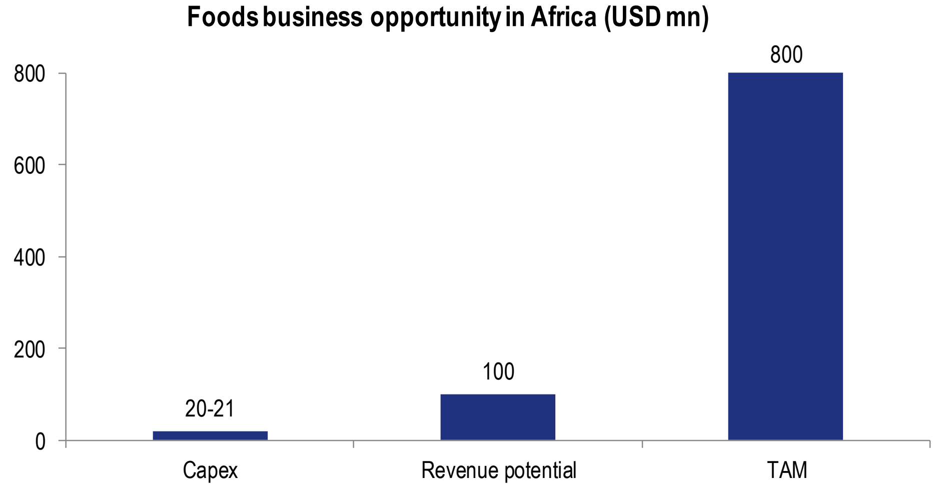
- **Foods opportunity opening up, potential to become a large growth driver over the medium to long term in Africa:** Apart from the beverage opportunity, VBL is also tapping the large PepsiCo food portfolio opportunity in Africa. As per current arrangements, VBL has been granted franchise for PepsiCo snacks brands such as Lay's, Cheetos and Doritos in Morocco until 31st Dec'27 and Simba in Zimbabwe and Zambia until 31st Jan'28. Further, pursuant to the snacks manufacturing agreements with PepsiCo, VBL has been granted rights to manufacture, distribute and sell Cheetos in Morocco until 30th Apr'29, Simba in Zimbabwe until 30th Sep'29 and Simba in Zambia until 31st Mar'30. These agreements complement VBL's existing distribution of PepsiCo's portfolio, and the business model is similar to that of beverages, where VBL will pay for seasoning related material of snacks (similar to the arrangement of concentrate with PepsiCo). Currently, it is in the process of putting up three manufacturing plants for the food business, one each in Morocco (expected to come up in May'25), Zimbabwe (likely before Oct'25) and Zambia (by end of CY25 or early CY26E).

Exhibit 63. Key snack brands for which rights have been granted to VBL in certain markets of Africa

Source: Company, JM Financial.

- **VBL expects to achieve USD 100mn in sales from Food business over next 2-3 years:** As per management estimates, the overall foods opportunity taking into account the current three geographies (Zimbabwe, Zambia and Morocco) is estimated at USD 800mn. VBL expects to touch USD 100mn (capex of USD 20mn-21mn behind three manufacturing plants and assuming ATO of 5x) in foods revenue within the next couple of years. While margins in the foods business are not high compared to those in the beverage business, the RoCE profile is much better given the higher turnover and lower capex requirement.

Exhibit 64. Food opportunity in Africa



Source: Company, JM Financial

- International business to grow at a much faster pace vs India business: Overall, we see the Africa story getting crafted really well with growth drivers in place in terms of a) acceleration in South Africa (peak season in 2H), b) doubling of capacity in DRC (from 35mn cases currently), c) Foods opportunity of USD 100mn with three plants coming up over CY25-26E, and d) potential to take up newer geographies in Africa. We are factoring sales CAGR of 30% (volume CAGR of 28%) over CY24-26E with largely stable EBITDA margins. We have not factored in sales from Foods opportunity as well as recently announced Tanzania/Ghana acquisition (equivalent to c.8-9%/5-6% of VBLs FY24 consolidated sales/EBITDA)

Strong promoter capabilities visible from impressive execution

VBL, a part of RJ Corp group, is an impressive story that highlights how a company that aims to remain sharp in execution (especially supply chain and GTM in this case) can emerge as a winner. Rather than seeing VBL as a third party manufacturer, we believe VBL is a solid play on the large and attractive soft drinks market in India as well as Africa given its end-to-end capabilities and presence across the entire value chain in the beverage segment. Below, we highlight some of the examples that showcase its superior execution capabilities.

- One of the key metrics that highlights the strength of VBL's execution capabilities is its proven track record in driving growth through the inorganic route. Over the past 10-15 years, through acquisition of PepsiCo's territories, VBL has expanded within India as well as in international geographies. The company typically looks at market opportunities that have high growth potential, help reduce seasonality (for e.g., acquisition of territories in the South) and are closer to its existing territories to extract cost efficiencies. Moreover, majority of these acquisitions have been done at reasonable valuations (c.1x sales +/- 20%).

- Also, post-acquisition, VBL has been able to improve business performance and scale up PepsiCo's product sales in those territories. This is visible from improvement in relative market share in India (300bps improvement in the last 4-5 years) as well as international markets (strong market share improvement in Nepal, Zambia, Zimbabwe, Morocco etc. since acquisition) and uptick in consolidated profitability for VBL, which is a function of scale-up in margins for the India business as well as international geographies (e.g., Zimbabwe).

  The execution prowess is visible from improvement across business metrics (market share, supply chain infrastructure, margins and ROCE): a) VBL now accounts for 90% of PepsiCo's India sales volume (vs. 45% in CY16 and <30% in CY11) with franchise operations almost across all states (barring J&K and AP), b) c.300bps improvement in relative market share in India over the last 5 years, c) manufacturing capacity expansion apart, VBL has also invested in backward integration (c.400bps benefit on margins), d) c.1200bps improvement in EBITDA margin in the last decade despite absorbing low-margin acquisitions e) visible success in Zimbabwe/Zambia and now prudently tapping the Africa opportunity through the acquisition of newer territories (three large markets of South Africa, Congo, and Tanzania) and f) creating newer revenue drivers with rights for the foods business (for 'Simba Munchiez' in Zimbabwe/ Zambia and Cheetos in Morocco).Same has resulted in value accretion for all stakeholders.

Exhibit 65. Improvement across key parameters defining VBL's strong execution capabilities

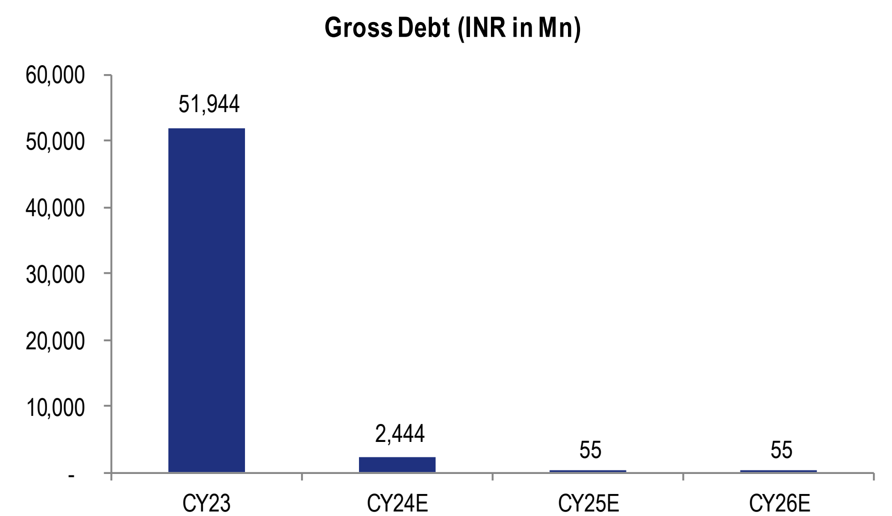
Key parameters	CY16	9MCY24
No of Countries		
- Indian sub-continent	3	3
- Africa	2	11
No of states in India	17	27
No of production facilities	21	48
Owned depots	71	130+
Owned Vehicles	2,024	2,500+
Primary distributors	1,186	2,500+
Distribution reach	<1mn	4 mn+
Visi-Coolers	458,000	10,20,000+
EBITDA margins	20.6%	25.3%
ROCE	13.8%	26.5%*

Source: Company, JM Financial. *ROCE calculated for year ending 31.12.2023 (CY23)

Equity raise to fund acquisition and debt repayment – overall earnings accretive for the consolidated entity

- VBL to become debt free by end of CY24E: As of Jun'24, VBL had a gross debt of INR 62.8bn and the acquisitions announced would require funding of INR 16bn (equity value of INR 13bn/1.27bn/2bn for Tanzania /Ghana /Lunarmech stake increase). VBL recently completed fund-raise of INR 75bn through QIP. We expect proceeds will be partly used to repay entire debt and balance to fund the acquisition. For our CY24-26E, we have not factored in Tanzania & Ghana acquisition (to be completed by Feb/Mar'25), as we await more clarity/management guidance on growth prospects in these regions.
- Interest savings to result in earnings accretion of c.6-7%: We are incorporating benefit of QIP – debt repayment (est. VBL to be debt free at end of CY24E) and balance as accretion to cash & cash equvivalent. Even if we assume gross debt of INR 53bn at end of CY25E (scenario prior to QIP, factoring some debt reduciton through internal accruals), this would translate to interest cost of c.INR 4bn assuming 7% cost of debt. The QIP resulted in issue of additional 132.7mn shares (dilution of c.4%). However, interest savings led by complete debt repayment will be earnings accretive (vs pre-QIP) by c.6-7%.
- Back of the envelope calculation suggests Tanzania/Ghana acquisitions will be marginally earnings accretive: As highlighted earlier we haven't factored in benefit of recently announced acquisition of Tanzania/Ghana. However, even if we assume 9-month consolidation in CY25E on our base case assumption (revenue growth of 15% in SBCT and no margin expansion), we believe the acquisitions will be marginally EPS accretive in CY25E, and accretion can be a tad higher in CY26E with full consolidation and VBL's capability to scale up business and extract efficiencies leading to margin expansion.

Exhibit 66. VBL to become debt free with QIP proceeds being part utilised to repay debt



Source: Company, JM Financial. Note: Gross debt excludes lease liabilities.

Exhibit 67. Equity raise & debt repayment is overall earnings accretive for VBL

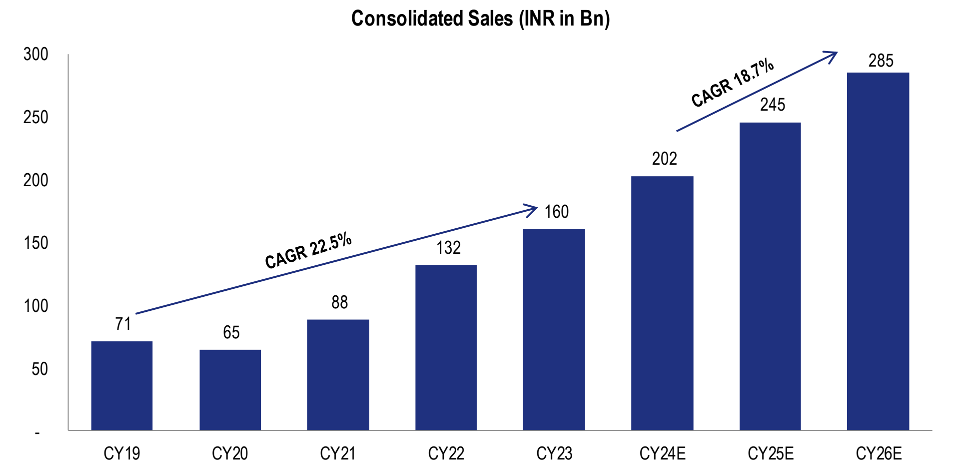
Consolidated data (INR in mn)	CY25E		
	Pre-QIP	Post-QIP	% chng
Sales	245,264	245,264	
EBITDA	57,749	57,749	
Interest cost	3,832	405	
Depreciation	11,144	11,144	
Other income	1,366	2,699	
PBT	44,139	48,899	
PAT	33,342	36,983	
EPS	**10.3**	**10.9**	**6.6%**
No. of shares	**3,248**	**3,381**	**4.1%**

Source: JM Financial

Financial Overview

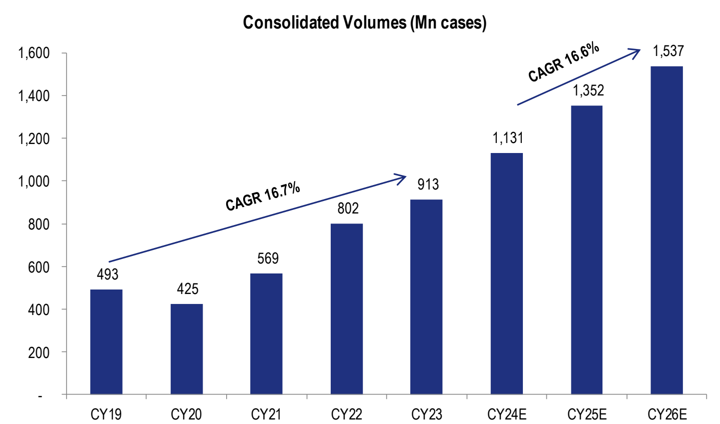
- **We build in 19% CAGR in consolidated sales over CY24-26E**: VBL's consolidated revenue has grown at a CAGR of 22.5% over CY13-23 primarily driven by volume, which grew at a CAGR of 19.5% while realisation/case grew by 2.5% over the same period. With strong execution sustaining, we expect consolidated sales to grow at a CAGR of 18.7% aided by 16.6% volume CAGR and 1.8% realisation/case CAGR over CY24-26E.

Exhibit 68. VBL's consolidated revenue is expected to grow at a CAGR of 18.7% (CY24-26E)



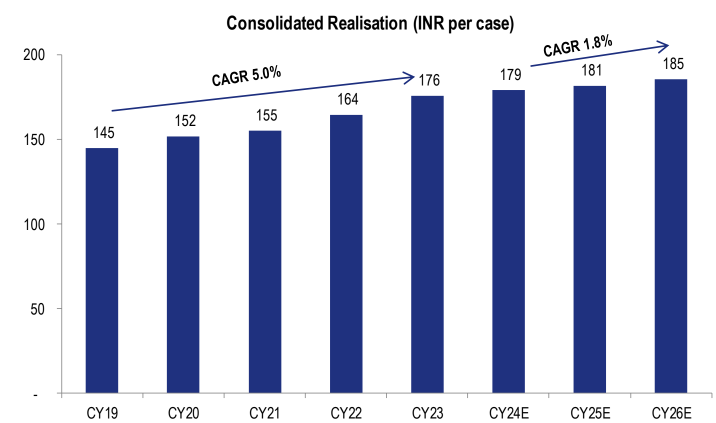
Source: Company, JM Financial

Exhibit 69. Consolidated volume expected to grow at 16.6% CAGR…



Source: Company, JM Financial

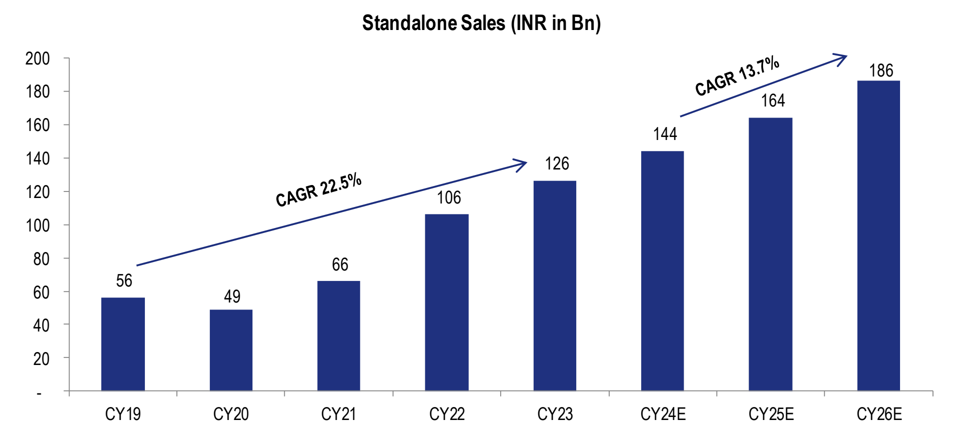
Exhibit 70. …and realisation per case at 1.8% CAGR over CY24-26E



Source: Company, JM Financial

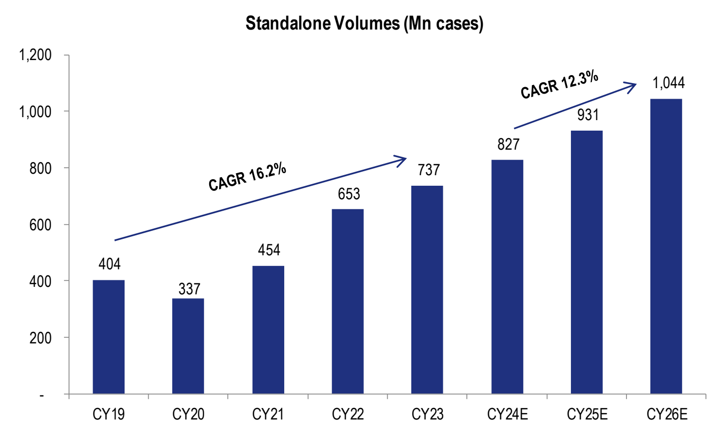
- **India sales to grow at CAGR of c.14% over CY24-26E:** We expect standalone India business (c.71% of consolidated sales in CY24E) to grow at 13.7% CAGR aided by 12.3%/1.5% volume/realisation CAGR over CY24-26E. India volume CAGR is lower vs. 10-year CAGR of 18.7%, since it is entirely organic growth led by stable growth in cola carbonates and much faster growth in non-carbonated beverages and Sting.

Exhibit 71. VBL's standalone revenue is expected to grow at a CAGR of 13.7% (CY24-26E)



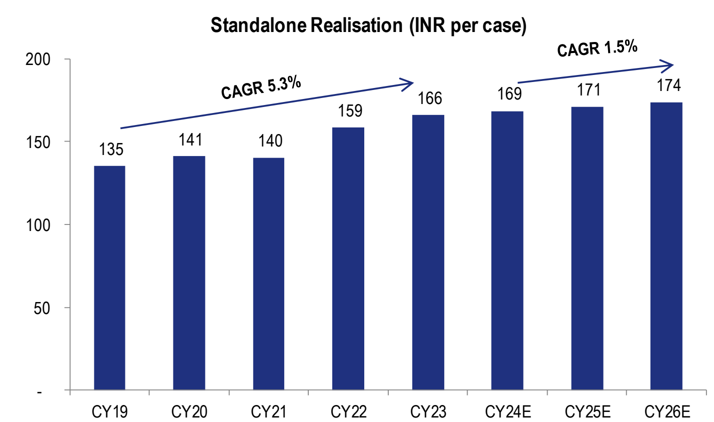
Source: Company, JM Financial

Exhibit 72. Standalone volume expected to grow at 12.3% CAGR…



Source: Company, JM Financial

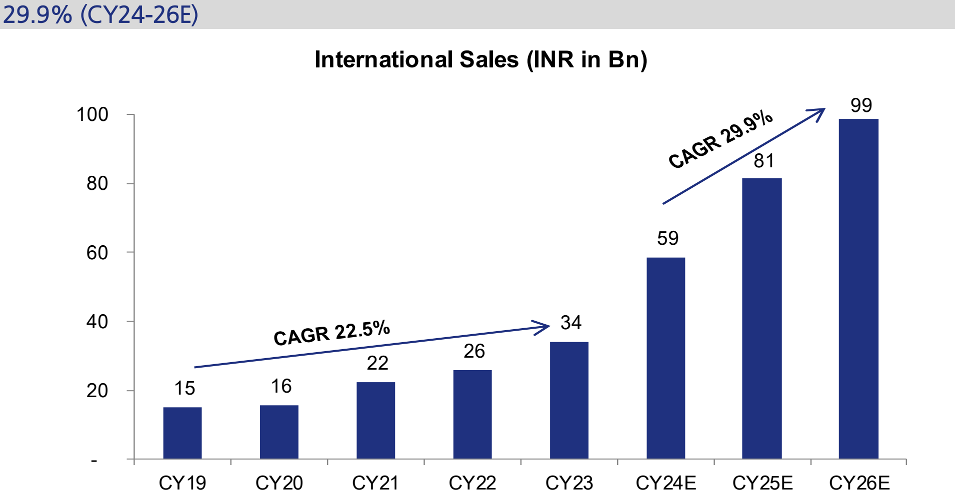
Exhibit 73. …and realisation per case at 1.5% CAGR over CY24-26E



Source: Company, JM Financial

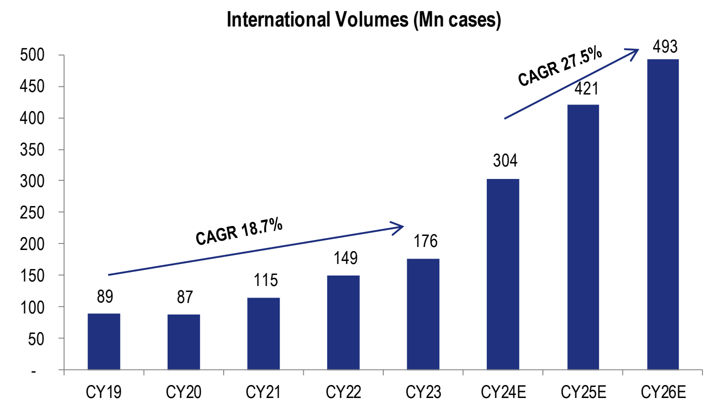
- International business to grow faster at a CAGR of c.30% over CY24-26E: We expect the international business (29% of consolidated sales in CY24E) to outperform due to relatively lower scale (vs. India business), share gains/distribution expansion in existing markets and scale-up in recently acquired territories in Africa (DRC/South Africa). We estimate international volume/realisation CAGR of 27.5%/1.4% over CY24-26E. We have not built in upsides from Tanzania/Ghana acquisitions currently, as these transactions are subject to regulatory/other approvals (PepsiCo, competition/revenue authorities). VBL expects to complete these acquisitions by Feb-Mar'25E.

Exhibit 74. VBL's international business revenue is expected to outperform at a CAGR of 29.9% (CY24-26E)



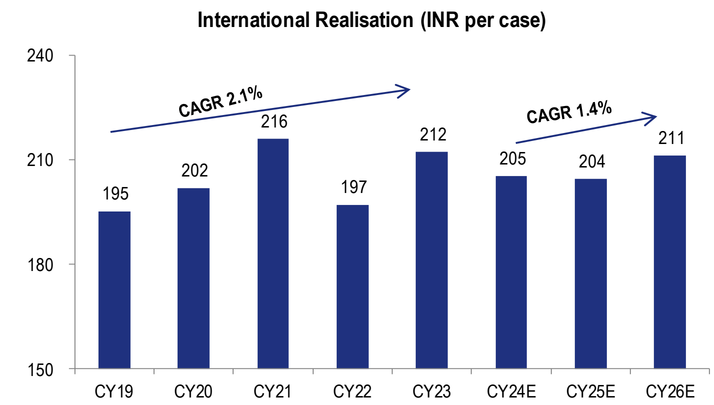
Source: Company, JM Financial

Exhibit 75. International volume expected to grow at 27.5% CAGR...



Source: Company, JM Financial

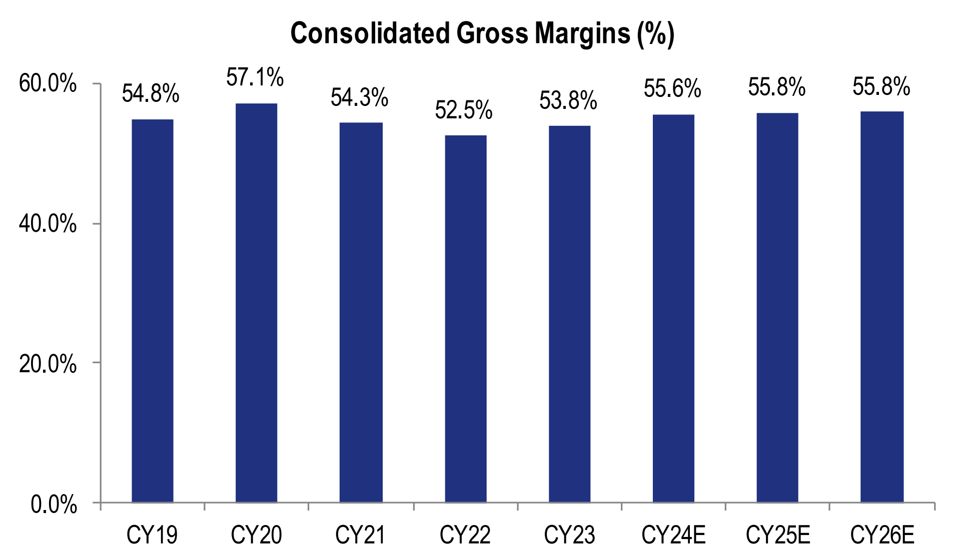
Exhibit 76. ...and realisation per case at 1.4% CAGR over CY24-26E



Source: Company, JM Financial

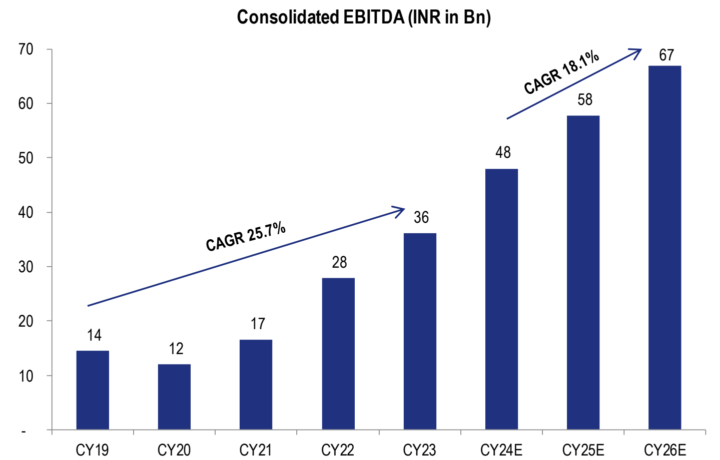
- **Margins already at healthy levels, further expansion unlikely given the focus on driving volume growth:** Post moderation in consolidated EBITDA margin during the Covid period, VBL not only recouped lost margin but also improved it by c.200-300bps vs. pre-Covid levels. This is primarily driven by uptick in India business margins (led by better product mix with faster growth in higher realisation products like NCB/Sting & operating leverage). We are factoring in stable margins over CY24-26E for the India business. International business margins (lower than India margins) are likely to remain at high teen levels – in the near term, some moderation can be seen due to consolidation of the low-margin South Africa business, and with scale/backward integration modest margin improvement can be seen in the international piece too. Overall we expect consolidated EBITDA CAGR of c.18.1% over CY24-26E with stable margins.

Exhibit 77. VBL's consolidated gross margin levels



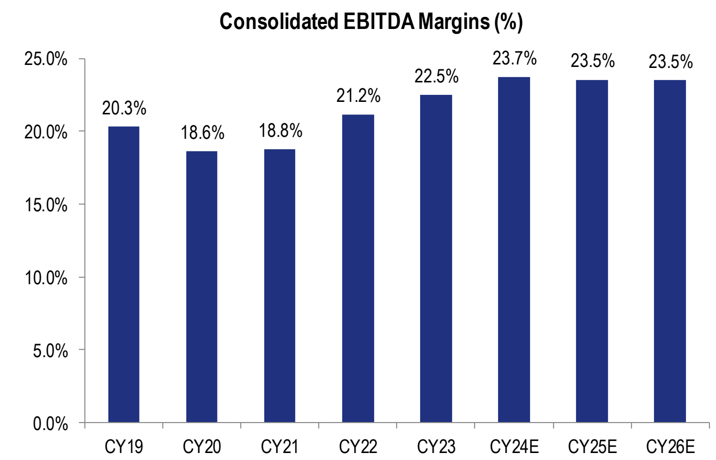
Source: Company, JM Financial

Exhibit 78. VBL's consolidated EBITDA is expected to grow at a CAGR of 18.1% (CY24-26E)…



Source: Company, JM Financial

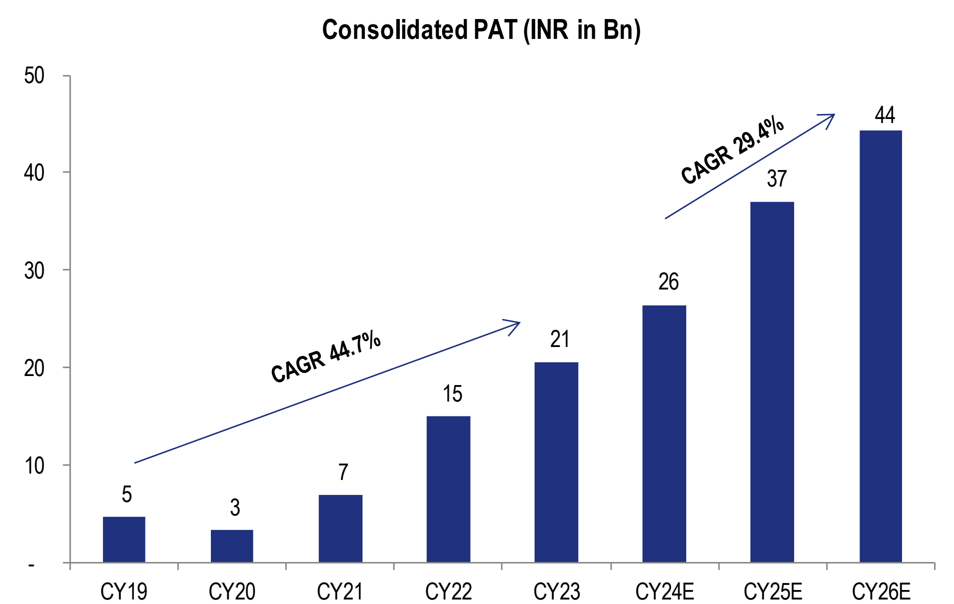
Exhibit 79. …though margins are expected to be largely stable with minor near-term moderation



Source: Company, JM Financial

- **Debt repayment to result in higher PAT CAGR at 29%:** We expect VBL to post robust 29.4% CAGR in reported PAT over CY24-26E aided by - 18.7% revenue CAGR and lower interest expenses due to reduction in debt through repayment.

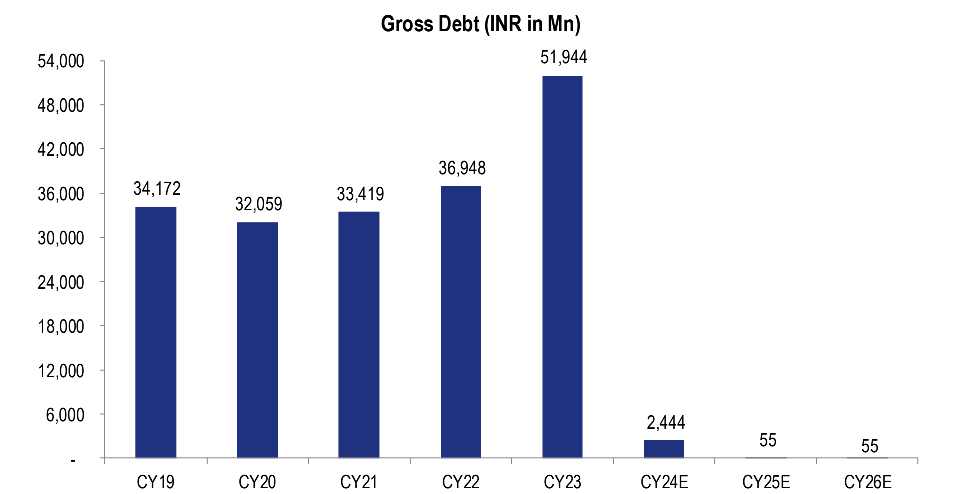
Exhibit 80. Consolidated PAT is expected to grow at a CAGR of 29.4% (CY24-26E)



Source: Company, JM Financial

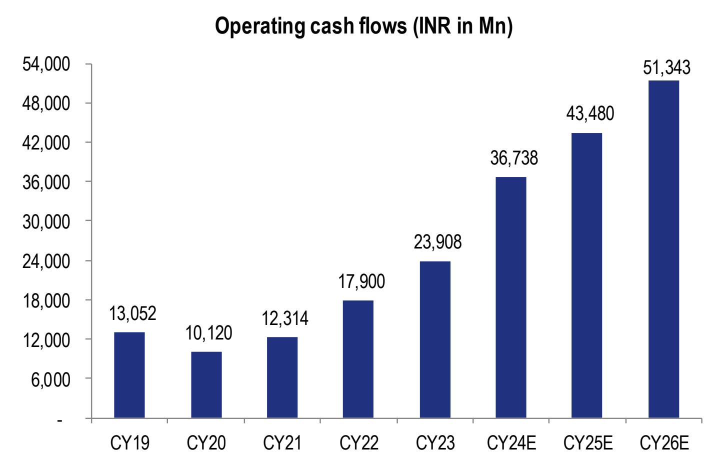
- **FCF to turn positive:** Capex intensity in CY24 has been higher (estimate: INR 36bn) on account of acquisition of South Africa and neighbouring territories as well as capacity expansion in India and Africa. For CY25/26E, we are building in capex (excluding acquisitions) of INR 21bn each. On acquisitions, the recently announced entry in Tanzania/Ghana (likely to be completed by end of 1QCY25) will lead to outflow of INR 15bn-16bn (funded through proceeds from QIP). Over CY13-23, VBL's FCF has been negative barring that in CY14 and Covid years (CY20/21) due to its acquisition-led growth model. We expect FCF to turn positive and inch up over CY24-26E.

Exhibit 81. Gross debt to be largely repaid from recently raised funds through QIP



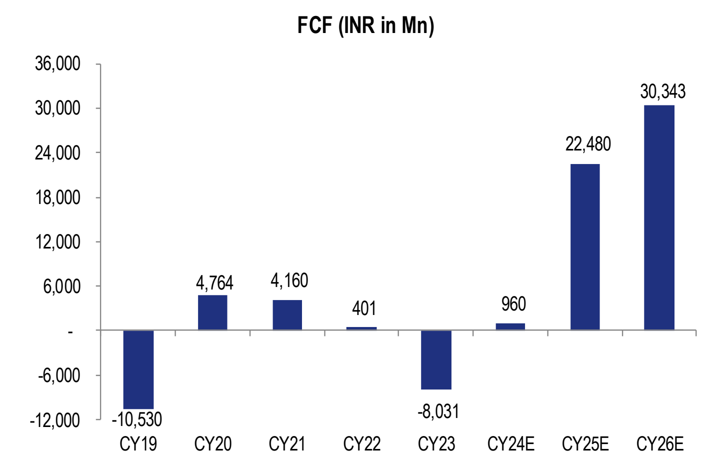
Source: Company, JM Financial. Note: Gross debt excludes lease liabilities

Exhibit 82. Operating cash flows to remain healthy…



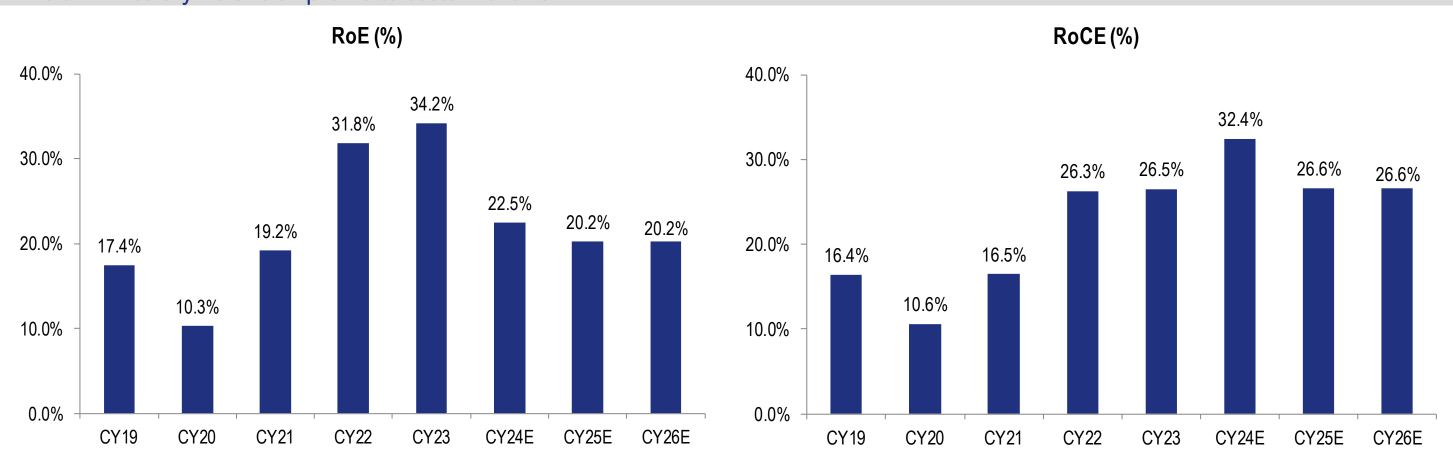
Source: Company, JM Financial

Exhibit 83. …with positive FCF generation across CY24-26E



Source: Company, JM Financial

Exhibit 84. Healthy RoE/RoCE profile to sustain over CY24-26E



Source: Company, JM Financial

Valuation & View

With sales/EBITDA CAGR of c.23%/29% over CY13-23, VBL is one of the finest examples of a large opportunity (soft drinks market of India and Africa with ready access to PepsiCo's brands) getting tapped through exemplary execution.

We don't see VBL as just another bottler/3rd party manufacturer. In our view, its end-to-end execution capabilities and capture of the entire value chain in beverages makes the relationship with PepsiCo symbiotic and evenly matched. Secondly, operating margin for CY23/24E at 22.5%/23.7% which is quite healthy and better than packaged food companies like Britannia, Tata Consumer, Agro-Tech Foods, Bikaji etc.

It is quite evident from the above that VBL is a not a mere cost-plus model and there are avenues and incentives for driving cost savings. Hence VBL's track record clearly highlights a) its ability to drive high growth makes it the franchisee of choice for Pepsico in India & Africa and b) it has been able to tap the large opportunity in a profitable manner.

We clearly see more legs to the growth story with a) penetration & portfolio play (non-carbonated beverages/energy drinks/ value-added dairy beverages)-led growth in an already formidable India business and b) share gain+ penetration + margin improvement headroom in the Africa business. With strong execution sustaining, we expect consolidated sales to grow at a CAGR of 18.7% aided by 16.6% volume CAGR over CY24-26E. While margin expansion from the current healthy levels is unlikely given the focus on driving volume growth, interest cost savings from debt repayment (from QIP proceeds) will drive higher earnings CAGR of 29.4%.

We initiate coverage on VBL with a TP of INR 725, valuing it at 55x Dec'26E EPS as we expect premium valuations to sustain given proven track record, better earnings visibility vs F&B peers, debt free balance sheet and healthy ROCE profile.

Exhibit 85. VBL's avg PE band since date of listing

Source: Bloomberg, Company, JM Financial

Exhibit 86. VBL's 5-yr avg PE band

Source: Bloomberg, Company, JM Financial

Exhibit 87. Domestic peer comps – Valuation parameters

Domestic peers	CMP (INR)	Mcap (INR in Bn)	PE			EV/EBITDA			EV/Sales			CAGR 25-27E (%)		
			FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	Sales	EBITDA	PAT
Staples														
HUL	2,322	5,456	51.5	46.6	41.9	35.2	31.9	29.5	8.4	7.7	7.3	8.9%	10.4%	10.8%
Colgate	2,702	735	48.1	44.5	40.4	34.4	31.1	29.1	11.5	10.5	9.8	9.4%	10.1%	9.1%
Dabur	511	905	48.1	43.0	38.7	34.1	30.0	29.7	6.5	5.9	5.9	9.4%	11.6%	11.5%
Marico	643	832	51.3	46.1	41.2	37.8	32.9	29.5	7.8	7.0	6.5	10.8%	14.0%	11.6%
GCPL	1,081	1,106	53.9	41.4	35.5	35.1	29.6	26.6	7.5	6.7	6.2	10.8%	15.9%	23.2%
F&B Players														
Nestle	2,172	2,094	67.1	58.5	51.6	43.8	38.4	34.8	10.3	9.3	8.6	9.6%	12.8%	14.0%
Britannia	4,803	1,157	52.8	45.5	40.5	35.6	31.1	28.7	6.4	5.8	5.4	10.3%	12.2%	14.3%
TCPL	920	914	59.5	49.6	42.4	33.0	29.4	26.8	5.1	4.6	4.3	10.6%	12.3%	18.5%
VBL*	**651**	**2,201**	**83.2**	**59.5**	**49.7**	**43.6**	**35.9**	**30.5**	**10.3**	**8.5**	**7.2**	**18.7%**	**18.1%**	**29.4%**

Source: JMF estimates. *VBL data is for FY year ending Dec

Exhibit 88. Global peer comps – Valuation parameters

Global peers	CMP (INR)	Mcap (INR in Bn)	PE			EV/EBITDA			EV/Sales			CAGR 24-26E (%)		
			CY24E	CY25E	CY26E	CY24E	CY25E	CY26E	CY24E	CY25E	CY26E	Sales	EBITDA	PAT
Global Bottlers														
Coca-Cola Femsa SAB-SER L	664	1,396	14.3	12.5	11.1	7.1	6.4	5.9	1.4	1.3	1.2	8.4%	9.8%	12.6%
Coca-Cola European Partners	6,750	3,107	19.4	17.8	16.4	12.9	12.0	11.3	2.2	2.1	2.0	4.6%	6.7%	8.2%
Arca Continental SAB DE CV	709	1,203	14.8	12.7	12.2	7.5	6.8	6.4	1.5	1.4	1.3	7.6%	8.3%	10.1%
Coca-Cola HBC AG-DI	2,927	1,060	14.7	13.1	11.9	8.4	7.7	7.1	1.3	1.2	1.2	5.2%	8.3%	9.9%
Coca-Cola Bottlers Japan Inc^	1,358	249	50.0	25.7	23.0	8.5	7.2	7.1	0.6	0.6	0.6	1.6%	9.2%	45.3%
Embotelladora Andina^	261	221	13.1	11.8	11.0	6.1	5.7	5.6	1.1	1.1	1.0	5.4%	4.9%	9.1%
Coca-Cola Icecek AS	145	406	9.3	7.3	7.7	7.6	5.7	4.6	1.4	1.1	0.9	24.3%	28.7%	18.0%
Global Beverage brand														
National Beverage Corp*	3,652	342	23.3	21.3	20.4	14.9	15.1	14.7	3.2	3.3	3.2	3.0%	3.0%	7.0%
Coca-Cola Co/The	5,328	22,952	21.9	21.0	19.6	19.7	18.6	17.4	6.4	6.2	5.9	4.4%	6.6%	5.3%
Pepsico Inc	13,013	17,854	18.8	17.8	16.6	13.9	13.2	12.4	2.7	2.6	2.5	3.4%	5.9%	6.0%
Monster Beverage Corp	4,498	4,374	32.2	28.3	25.4	23.1	20.7	18.8	6.7	6.2	5.8	7.9%	10.7%	10.2%
Britvic PLC*	1,402	349	26.1	18.1	16.6	11.7	11.8	11.1	2.1	2.0	1.9	5.7%	13.5%	6.8%
Carabao Group PCL^	196	196	27.9	24.6	22.5	18.4	16.6	15.4	3.8	3.4	3.2	9.3%	9.4%	11.5%
VBL	**651**	**2,201**	**83.2**	**59.5**	**49.7**	**43.6**	**35.9**	**30.5**	**10.3**	**8.5**	**7.2**	**18.7%**	**18.1%**	**29.4%**

Source: Bloomberg consensus, JM Financial.
*National beverages corp data is for FY year ending Apr and Britvic PLC data is for FY year ending Sep.
^Latest available share price is 30th December 2024.

Key risks

- **Adverse currency fluctuations:** Varun Beverages operates in multiple international markets, with a significant portion of its revenue generated from regions like Africa and South Asia. This exposes the company to risks arising from fluctuations in foreign exchange rates. Depreciation of local currencies against the Indian Rupee or the US Dollar could increase costs of raw materials, particularly imports, and reduce the profitability of operations in foreign markets.

- **Volatility in input costs:** Key raw materials include sugar, pulp, PET resin, preform, aluminum, glass, tetrapaks cartons, plastic closures, and labels. Price volatility in these inputs, driven by global commodity cycles, supply-demand imbalances, or geopolitical factors, could lead to higher production costs. Since the beverage industry operates in a competitive pricing environment, VBL may face challenges in fully passing on these increased costs to consumers, potentially resulting in margin compression.

- **Irrational competition in the industry:** The carbonated and non-carbonated beverage markets are highly competitive in India and the international markets. The company competes with, among others, bottlers of other global, regional and local brands of carbonated and non-carbonated beverages. An increase in the number of competitors or level of marketing or investments undertaken by such competitors may result in a reduction in the consumption of its products and may reduce its market share, or it may be required to incur increased sales, marketing and distribution related expenses in order to remain competitive. Increased competition may also require it to evaluate or modify pricing and marketing strategies, which can affect the business and cash flows.

- **Termination or non-renewal of the PepsiCo India Agreements or the PepsiCo International Agreements:** The company has been granted the franchise for various PepsiCo in India, and in certain international jurisdictions. As of September 30, 2024, it has been granted franchise for various PepsiCo products across 27 States and seven Union Territories in India. In the event that PepsiCo India/ PepsiCo Inc./ SVC and/ or the PepsiCo International Entities exercise their right to terminate these agreements on the occurrence of any aforesaid events, or, on expiry of the term of such agreements, or in the event PepsiCo India/ PepsiCo Inc./ SVC and/ or the PepsiCo International Entities are unwilling to renew such agreements or imposes terms less favourable to it than existing terms, it may materially and adversely affect its ability to carry on business operations and future financial performance.

- **Subject to various obligations under the PepsiCo India Agreements, Tropicana India Agreement and the PepsiCo International Agreements:** The company is Subject to various obligations, including the obligation to purchase PepsiCo beverage concentrate exclusively from PepsiCo or PepsiCo approved manufacturers, on terms and conditions set by PepsiCo India/ PepsiCo Inc./ SVC and the PepsiCo International Entities. In the event any such terms and conditions are set in a manner adverse to the business interest, business prospects and future financial performance will be materially and adversely affected.

Annexures

Key Management Personnel profile

- Mr Ravi Kant Jaipuria: He is the Chairman and Non-Executive Director of our Company. He is the promoter of our Company and has over three decades of experience in developing and expanding food, beverages and dairy business in South Asia and Africa. He is an entrepreneur and business leader. He was awarded the 'International Bottler of the Year' in 1997. He was also awarded the 'Distinguished Entrepreneurship Award' at the PHD Chamber Annual Awards for Excellence 2018.
- Mr Varun Jaipuria: He is Executive Vice-Chairman and Whole-time Director of our Company. He attended bachelor's degree program in international business from the Regent's University London. He has completed the program for leadership development from Harvard Business School, Boston. He has been associated with our Company since 2009 and has been instrumental in comprehensive development of our business including acquisitions and integration of acquired territories. Under his leadership, our Company was awarded the Best Bottler in AMESA (Africa, Middle East and South Asia) sector in 2021.
- Mr Raj Pal Gandhi: He is a Whole-time Director of our Company. He is a member of the Institute of Chartered Accountants of India. He has been associated with the RJ Corp Group for the last 31 years. He is instrumental in formulating our Company's strategy towards diversification, expansion, mergers and acquisitions, capex planning including capital/fund raising and investor relations.
- Mr Rajinder Jeet Singh Bagga: He is a Whole-time Director of our Company. He holds a degree of master's in technology in mechanical engineering from the Indian Institute of Technology, Kanpur. He has been associated with our Company since 1996 and is currently its heading technical operations since 2003.
- Mr Rajesh Chawla: He is the Chief Financial Officer of our Company. He is an associate of the Institute of Chartered Accountants of India. He has been associated with our Company since February 1, 2021, originally in the capacity of Senior Vice President – Finance. In his current role, he is responsible for leading the finance function of our organization. His responsibilities encompass the digitization and automation of processes, management reporting, corporate social responsibility, cost optimization, cash flow management, and the enhancement of internal processes and compliances. Additionally, he ensures the accuracy and timely completion of our Company's financial reports.
- Mr Ravi Batra: He is the Chief Risk Officer & Group Company Secretary of our Company. He was admitted as a member of the Institute of Company Secretaries of India in 1998 and an associate member of Institute of Chartered Secretaries of London in 2003. He has been associated with our Company since 2017. He is responsible for the governance, compliance and secretarial functions of our Company. Under his leadership, our Company has won various awards in relation to its corporate governance practices.

Key milestones

Exhibit 89. VBL's significant milestones

Year	Significant Milestone
1991	Received licensing agreement from PepsiCo through a group company.
1995	Incorporated Varun Beverages Ltd. As a Public Ltd. Company.
1996	Commenced operations with a manufacturing facility in Jaipur.
1998	PepsiCo acquired 26% stake in Varun Beverages Ltd.
2011-12	Investment by Standard Chartered PE in Varun Beverages (International) Ltd. (VBIL)*.
2012	1) Sub-territories of Goa, 3 districts of Maharashtra and NE India were consolidated.
	2) 3 companies having the territories of Nepal, Sri Lanka and Morocco became Subsidiaries.
	3) PepsiCo sold 26% stake in VBL to VBIL*.
2013	Acquired the Delhi sub-territory (other than existing east Delhi sub-territory).
2014-15	Capital infusion of Rs.4,500 million by Promoter Group.
2015	1) Received investment from AION Investment.
	2) Acquired sub-territories in parts of UP, UK, HP, parts of Haryana, Punjab and Chandigarh.
2016	1) Acquired 60% shareholding in Varun Beverages (Zambia) Ltd. (VBZL).
	2) Public listing on NSE and BSE.
2017	1) Acquired sub-territories across the states of MP (certain parts) and Odisha.
	2) Acquired incremental 30% shareholding in VBZL.
2018	1) Acquired sub-territories in the state of Jharkhand, Chhattisgarh and Bihar.
	2) Granted sales and distribution rights of Tropicana, Gatorade.
	3) Set up a Greenfield production facility in Nepal and Zimbabwe.
2019	1) Acquired sub-territories of parts of Maharashtra (14 districts), parts of Karnataka (13 districts, & parts of MP (3 districts).
	2) Acquired sub-territories across 7 states.
2021	Incorporated a new subsidiary – Varun Beverages RDC SAS in the Democratic Republic of Congo.
2022	1) Entered into an agreement to distribute and sell Lays, Doritos and Cheetos for PepsiCo in the territory of Morocco.
	2) Commenced commercial production of Kurkure Puffcorn at the manufacturing plant in Kosi, Uttar Pradesh for PepsiCo.
2024	1) Acquired 'The Beverage Company (Proprietary) Limited' along with franchise rights for South Africa, Lesotho and Eswatini.
	2) Granted distribution rights for Namibia, Botswana, Mozambique, and Madagascar.
	3) Granted franchise rights for PepsiCo's snacks portfolio in Morocco, Zambia & Zimbabwe.

Source: Company, JM Financial. *Merged with VBL in 2012.

Outline of agreement with PepsiCo

- Intellectual Property and Royalty: Under the franchise granted by PepsiCo, VBL have been licensed certain PepsiCo owned trademarks, including Pepsi, Pepsi Zero, Diet Pepsi, Pepsi Max, Mirinda Lemon, Mirinda Orange, Mountain Dew, Slice Fizzy, Seven-Up, Seven-Up Nimbooz Masala Soda, Teem, Sting, Evervess, Tropicana Slice, Tropicana Frutz (Lychee, Apple and Mango), Tropicana Juices (100% and Delight), Seven-Up Zero, Nimbooz, Gatorade, Aquafina flavour splash, Aquafina, Aquavess, Simba, Lay's, Cheetos and Doritos. VBL is currently not required to pay royalty for the use of any other PepsiCo trademarks, except, "DUKES", "AQUAFINA", "AQUAVESS" and "EVERVESS SODA", as the licenses for the other products are governed under the separate terms of the respective PepsiCo International Agreements, Tropicana India Agreement and PepsiCo India Agreements and for which the concentrate is supplied by PepsiCo India and/ or the PepsiCo International Entities for the other products.
- Pursuant to the PepsiCo India Agreements and the Tropicana India Agreements, VBL has been granted the license to manufacture, sell and distribute PepsiCo products under trademarks and brands owned by PepsiCo in certain specified sub-territories within the territory of India. The PepsiCo India Agreements are valid for a period of 20 years commencing from May 1, 2019, and PepsiCo India, PepsiCo Inc. and SVC may renew their respective agreements for successive terms of five years each. Further, the Tropicana India Agreement is valid for a period of approximately 20 years commencing from June 25, 2019 and PepsiCo Inc. may renew the agreement for five years.
- Purchase of Concentrate: VBL is required to purchase the relevant concentrate for all PepsiCo products produced by it exclusively either from PepsiCo India or PepsiCo approved manufacturers at a price and at terms and conditions determined from time to time by PepsiCo India or such other approved manufacturer. However, in practice, the concentrate price is determined by PepsiCo India in discussions with VBL, after taking into account the selling price, taxation, input cost and market and other relevant conditions.
- Production Facilities and Quality Control: VBL is required to install and maintain adequate production and distribution capacity to ensure that it is able to match the demand of PepsiCo products at any time. VBL is required to establish, maintain and operate in licensed territories, one or more production facilities, adequately equipped and staffed for production, selling and distribution of PepsiCo products
- PepsiCo remains responsible for pan-India advertising, marketing and brand promotion campaigns for its brands. For sale of goods in local areas and enhancing brand footprints, joint brand promotion campaigns are conducted.
- Annual operating plan relating to sales volume targets are discussed with PepsiCo for the relevant fiscal year based on which capital expenditure, volume capacity, distribution capacity and other operational resources are budgeted. VBL is required to report sales information of each PepsiCo products sold by them to PepsiCo.
- VBL is prohibited from mfg, distributing or selling any non-PepsiCo products which could be an imitation of PepsiCo products or could compete with PepsiCo products.
- Through subsidiaries, VBL has entered into PepsiCo International Agreements with the PepsiCo International Entities in Sri Lanka, Morocco, Nepal, Zambia, Zimbabwe and South Africa. VBL has been granted franchise for certain PepsiCo products in Morocco until January 31, 2026, in Nepal until November 30, 2026, in Zambia until May 31, 2027, in Zimbabwe until April 30, 2029, in Democratic Republic of Congo until February 28, 2039, in South Africa until March 31, 2034. In Sri Lanka, we have been granted the franchise for Aquafina and Tropicana products until July 31, 2026, and certain other PepsiCo products for 5 years until July 31, 2026.

- VBL has entered into franchise agreements with PepsiCo to exclusively distribute PepsiCo snacks brands such as Lay's, Cheetos and Doritos in Morocco until December 31, 2027 and Simba in Zimbabwe and Zambia until January 31, 2028 ("PepsiCo Snacks Distribution Agreements"). It has entered into a non-exclusive agreement with PepsiCo India to co-manufacture Kurkure Puffcorn in India with effect from October 25, 2022 for a period of five years on a contract manufacturing basis, subject to the terms and conditions of the agreement. It has also entered into snacks franchise agreements with Premier Nutrition Trading LLC, a subsidiary of PepsiCo, to exclusively manufacture, package and sell Cheetos in Morocco until April 30, 2029, Simba in Zimbabwe until September 30, 2029 and Simba in Zambia until March 31, 2030 (collectively, "PepsiCo Snacks Manufacturing Agreements").

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	CY22A	CY23A	CY24E	CY25E	CY26E
Net Sales	129,246	155,903	197,575	240,277	279,631
Sales Growth	49.5%	20.6%	26.7%	21.6%	16.4%
Other Operating Income	2,486	4,523	4,749	4,987	5,236
Total Revenue	**131,731**	**160,426**	**202,324**	**245,264**	**284,867**
Cost of Goods Sold/Op. Exp	62,612	74,049	89,915	108,485	125,828
Personnel Cost	12,166	14,466	19,371	23,857	27,817
Other Expenses	29,072	35,816	45,012	55,173	64,284
EBITDA	**27,881**	**36,095**	**48,026**	**57,749**	**66,938**
EBITDA Margin	21.2%	22.5%	23.7%	23.5%	23.5%
EBITDA Growth	68.5%	29.5%	33.1%	20.2%	15.9%
Depn. & Amort.	6,172	6,809	9,463	11,144	12,224
EBIT	21,709	29,286	38,563	46,605	54,714
Other Income	388	794	923	2,699	4,163
Finance Cost	1,861	2,681	4,393	405	405
PBT before Excep. & Forex	20,236	27,398	35,093	48,899	58,472
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	20,236	27,398	35,093	48,899	58,472
Taxes	4,735	6,375	8,247	11,491	13,741
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	527	454	395	415	436
Reported Net Profit	14,974	20,559	26,442	36,983	44,285
Adjusted Net Profit	**14,974**	**20,559**	**26,442**	**36,983**	**44,285**
Net Margin	11.4%	12.8%	13.1%	15.1%	15.5%
Diluted Share Cap. (mn)	3,248.0	3,248.0	3,380.7	3,380.7	3,380.7
Diluted EPS (INR)	**4.6**	**6.3**	**7.8**	**10.9**	**13.1**
Diluted EPS Growth	115.8%	37.3%	23.6%	39.9%	19.7%
Total Dividend + Tax	1,624	2,273	4,060	4,288	4,867
Dividend Per Share (INR)	0.5	0.7	1.2	1.3	1.4

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	CY22A	CY23A	CY24E	CY25E	CY26E
Shareholders' Fund	51,024	69,365	166,747	199,442	238,860
Share Capital	6,496	6,496	6,762	6,762	6,762
Reserves & Surplus	44,528	62,869	159,985	192,681	232,099
Preference Share Capital	0	0	0	0	0
Minority Interest	1,131	1,482	1,882	2,302	2,743
Total Loans	36,948	51,944	2,444	55	55
Def. Tax Liab. / Assets (-)	3,368	3,430	3,430	3,430	3,430
Total - Equity & Liab.	**92,471**	**126,221**	**174,502**	**205,229**	**245,088**
Net Fixed Assets	75,389	103,314	129,629	139,485	148,262
Gross Fixed Assets	87,525	106,021	139,021	159,021	179,021
Intangible Assets	6,795	6,799	6,799	6,799	6,799
Less: Depn. & Amort.	34,153	39,075	47,618	57,703	68,797
Capital WIP	15,221	29,569	31,428	31,369	31,239
Investments	0	211	211	211	211
Current Assets	40,794	48,347	77,623	104,093	141,331
Inventories	19,939	21,505	27,122	32,878	38,187
Sundry Debtors	2,993	3,594	4,435	5,376	6,244
Cash & Bank Balances	2,853	4,599	25,883	43,981	73,215
Loans & Advances	8,742	13,281	14,547	15,939	17,471
Other Current Assets	6,267	5,368	5,637	5,918	6,214
Current Liab. & Prov.	23,711	25,651	32,961	38,560	44,716
Current Liabilities	10,139	10,020	14,369	16,414	18,306
Provisions & Others	13,572	15,631	18,592	22,146	26,410
Net Current Assets	17,083	22,696	44,662	65,533	96,615
Total – Assets	**92,471**	**126,221**	**174,502**	**205,229**	**245,088**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	CY22A	CY23A	CY24E	CY25E	CY26E
Profit before Tax	20,236	27,394	35,088	48,895	58,467
Depn. & Amort.	6,172	6,809	9,463	11,144	12,224
Net Interest Exp. / Inc. (-)	1,473	1,887	3,470	-2,294	-3,758
Inc (-) / Dec in WCap.	-5,852	-6,735	-3,036	-2,772	-1,849
Others	-395	1,232	0	0	0
Taxes Paid	-3,733	-6,679	-8,247	-11,491	-13,741
Operating Cash Flow	**17,900**	**23,908**	**36,738**	**43,480**	**51,343**
Capex	-17,499	-31,939	-35,778	-21,000	-21,000
Free Cash Flow	401	-8,031	960	22,480	30,343
Inc (-) / Dec in Investments	221	-1,180	0	0	0
Others	232	220	923	2,699	4,163
Investing Cash Flow	**-17,046**	**-32,899**	**-34,854**	**-18,301**	**-16,837**
Inc / Dec (-) in Capital	0	48	75,448	0	0
Dividend + Tax thereon	-1,624	-2,273	-4,060	-4,288	-4,867
Inc / Dec (-) in Loans	3,161	14,769	-47,593	-2,389	0
Others	-1,717	-2,694	-4,393	-405	-405
Financing Cash Flow	**-179**	**9,849**	**19,401**	**-7,082**	**-5,272**
Inc / Dec (-) in Cash	**675**	**858**	**21,285**	**18,098**	**29,234**
Opening Cash Balance	2,178	3,741	4,599	25,883	43,981
Closing Cash Balance	2,853	4,599	25,883	43,981	73,215

Source: Company, JM Financial

Dupont Analysis					
Y/E March	CY22A	CY23A	CY24E	CY25E	CY26E
Net Margin	11.4%	12.8%	13.1%	15.1%	15.5%
Asset Turnover (x)	1.2	1.2	1.1	1.1	1.1
Leverage Factor (x)	2.3	2.2	1.5	1.2	1.2
RoE	32.6%	34.2%	22.4%	20.2%	20.2%

Key Ratios					
Y/E March	CY22A	CY23A	CY24E	CY25E	CY26E
BV/Share (INR)	15.7	21.4	49.3	59.0	70.7
ROIC	21.0%	22.0%	22.4%	23.6%	25.7%
ROE	32.6%	34.2%	22.4%	20.2%	20.2%
Net Debt/Equity (x)	0.7	0.7	-0.1	-0.2	-0.3
P/E (x)	141.2	102.8	83.2	59.5	49.7
P/B (x)	41.4	30.5	13.2	11.0	9.2
EV/EBITDA (x)	77.1	59.9	43.6	35.9	30.5
EV/Sales (x)	16.3	13.5	10.3	8.5	7.2
Debtor days	8	8	8	8	8
Inventory days	55	49	49	49	49
Creditor days	29	22	23	23	23

Source: Company, JM Financial

APPENDIX I

JM Financial Institutional Securities Limited

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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