Varun Beverages Limited (4th September 2026)

Company Overview

- Varun Beverages Limited (VBL) is the largest PepsiCo franchisee bottler outside the United States, accounting for roughly 90% of PepsiCo's beverage volumes in India. It manufactures and distributes carbonated soft drinks, juice-based drinks, energy drinks and packaged water across 26 states and 6 union territories, with India contributing about 67% of consolidated revenue.
- The international franchise spans Nepal, Sri Lanka, Morocco, Zambia, Zimbabwe, the DRC and South Africa, and the portfolio includes Pepsi, Mountain Dew, Sting, Slice, Tropicana, Aquafina and Gatorade. VBL has since diversified into snacks, producing PepsiCo's Cheetos in Morocco and Zimbabwe, and has announced an entry into alcoholic beverages.

Sector Outlook

- India's per-capita beverage consumption remains a fraction of global averages, leaving a long runway as cold-chain penetration and rural distribution deepen. Low and no-added-sugar products now form roughly 55% of consolidated volumes, and the Sting energy franchise continues to scale faster than the base portfolio.
- Africa is the second growth engine. Consolidation of Twizza in South Africa alongside build-outs in the DRC, Zimbabwe and Morocco adds capacity in underpenetrated markets, where currency movements have recently been a tailwind to reported growth.

Company Outlook

- CY2025 was a weather-disrupted year. Unprecedented rainfall through the peak summer months held consolidated volume growth to 7.9% and revenue growth to 8.4% at Rs 21,685 crore, with EBITDA up 7.2% to Rs 5,049 crore and margin broadly stable at 23.3%. PAT still rose 16.2% to Rs 3,062 crore on lower finance costs, and CRISIL upgraded the long-term rating to AAA/Stable.
- Capex of roughly Rs 45 billion was capitalised during CY2025, funding four greenfield plants at Prayagraj, Buxar, Damtal and Mendipathar, brownfield expansion at Sricity and Gorakhpur, and international PET, can and snacks lines, all of which is now stabilising.

Varun Beverages Limited

31% **Target Return**	**₹533** **Target Price**
12 months **Duration**	**₹408** **Current price**

BUY

Particulars	CY24	CY25	CY26E	CY27E	CY28E
Revenue (Rs. Cr)	**20,005**	**21,685**	**25,765**	**29,630**	**33,780**
Revenue Growth %	*24.7%*	*8.4%*	*18.8%*	*15.0%*	*14.0%*
EBITDA (Rs. Cr)	**4,710**	**5,049**	**6,090**	**7,110**	**8,180**
EBITDA Growth %	*28.0%*	*7.2%*	*20.6%*	*16.7%*	*15.0%*
EBITDA Margin %	**23.5%**	**23.3%**	**23.6%**	**24.0%**	**24.2%**
PAT (Rs. Cr)	**2,635**	**3,062**	**3,610**	**4,260**	**4,985**
EPS (Rs, diluted)	*7.7*	*9.0*	*10.6*	*12.5*	*14.6*
ROE %	**24.1%**	**21.8%**	**21.5%**	**21.0%**	**20.5%**
P/E x	**53.0**	**45.3**	**38.5**	**32.6**	**27.9**

Varun Beverages Limited

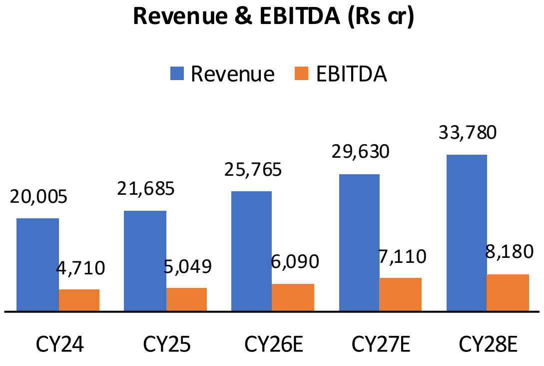
- CY2026 has re-accelerated sharply against that soft base. Q2 CY2026 revenue rose 20.4% to Rs 8,451 crore on 19.8% volume growth to 466.7 million cases, with India up 14.4%. EBITDA grew 17.2% to Rs 2,343 crore and PAT 15.1% to Rs 1,525 crore. Gross margin improved 44 bps to 55.0%, while EBITDA margin eased 76 bps to 27.7% purely on consolidation of the lower-margin Twizza business in South Africa.
- For H1 CY2026 revenue stood at Rs 15,025 crore, up 19.4%, EBITDA at Rs 3,872 crore, up 18.7%, and PAT at Rs 2,404 crore, up 16.9%. Management has guided to double-digit India volume growth for CY2026 under reasonable weather, with long-term EBITDA margin guidance of 22% to 23%.
- The investment case rests on operating leverage from capacity already built. With four greenfield plants and multiple international PET, can and snacks lines commissioned through CY2025, incremental volumes now arrive at low marginal capex and free cash generation should improve as the capex cycle moderates. The snacks business, which delivered Rs 340 crore of revenue in CY2025, and the announced entry into alcoholic beverages add optionality.
- The balance sheet is comfortable. VBL remains close to net debt-free, CRISIL upgraded the long-term bank facilities to AAA with a stable outlook during CY2025, and the company continues to pay a dividend of Rs 0.50 per share alongside its growth spend.

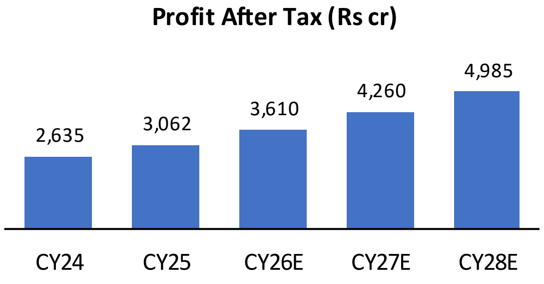
Rating

- We initiate coverage on Varun Beverages with a BUY rating and a 12-month target price of Rs 533, valuing the company at 36.5x CY2028E EPS of Rs 14.6 and implying 31% upside from the current price of Rs 408. We forecast a revenue CAGR near 16% and a PAT CAGR near 18% over CY2025 to CY2028E, with EBITDA margin recovering toward 24% as new capacity absorbs and the international mix scales.

Key Risks

- Earnings are weather-sensitive: an early or unusually heavy monsoon compresses the peak April to June quarter, as CY2025 demonstrated. Dependence on a single franchisor, PET resin and sugar cost volatility, and currency risk across African territories are the other principal risks.





Source: Company filings, Angel One Research

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