



# Stock Update

## Varun Beverages Ltd

February 18, 2026



Industry	LTP	Recommendation	Fair Value	Time Horizon
FMCG	Rs 463.6	Buy dips in Rs 404-416 band	Rs 500	4 quarters

HDFC Scrip Code	VARBEVEQNR
BSE Code	540180
NSE Code	VBL
Bloomberg	VBL:IN
CMP Feb 18, 2025	463.6
Equity Capital (Rs Cr)	676.4
Face Value (Rs)	2.0
Equity Share O/S (Cr)	338.1
Market Cap (Rs Cr)	1,56,506
Book Value (Rs)	57.9
Avg. 52 Wk Volumes ('000)	7226.9
52 Week High	568.5
52 Week Low	419.6

Share holding Pattern % (Dec, 2025)	
Promoters	59.4
Institutions	33.9
Non Institutions	6.7
Total	100.0



\* Refer at the end for explanation on Risk Ratings

**Fundamental Research Analyst**

Darshil Shah

[darshil.shah@hdfcsec.com](mailto:darshil.shah@hdfcsec.com)

### Our Take:

Associated with PepsiCo since 1990s, Varun Beverages Limited (VBL) is the second largest franchisee of PepsiCo in the world, outside of USA and a key player in the Indian beverage industry. VBL is part of the RJ Corp group, a diversified business conglomerate with interests in beverages, quick-service restaurants, ice-creams and healthcare.

VBL has been granted franchisees for various PepsiCo products across 27 States and 7 Union Territories in India and it is responsible for ~90% beverage sales volume of PepsiCo India. It also been granted the franchise for the territories of Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe. The company has expansive manufacturing capabilities across 50 production facilities, 38 in India and 12 internationally.

The company manufactures, distributes and sells a wide range of carbonated soft drinks (CSDs), as well as a large selection of non-carbonated beverages (NCBs), including packaged drinking water sold under trademarks owned by PepsiCo. PepsiCo's diversified brand portfolio such as Pepsi, Pepsi Black, Mountain Dew, Sting, Seven-Up, Mirinda Orange, Seven-Up Nimbooz Masala Soda and Evervess in CSD and Tropicana Slice, Tropicana Juices (100% and Delight), Seven-Up Nimbooz, Gatorade as well as packaged drinking water under the brand Aquafina in NCB, gives VBL a distinct advantage. The company also has a strong brand presence in snacking products.

Over the past few years the company has looked to strengthen its manufacturing by commissioning new facilities in India and also through organic and inorganic expansion, internationally. VBL continues to invest in expansion of its distribution network and chilling infrastructure to further enhance its reach and capture growth opportunities, both in India as well as in Africa.

The company has also further strengthened its partnership with PepsiCo, venturing into new segments and geographies to diversify and grow its product portfolio. For example, In CY2024, it entered into an Exclusive Snacks Appointment Agreement to manufacture and package Cheetos in Morocco and also signed another exclusive snacks franchising appointment for "Simba Munchiez" in Zimbabwe and Zambia.

VBL's balance sheet remains strong, with an additional war chest from the Rs 7500 cr QIP in November 2024, providing it with the flexibility to support organic expansion, invest in cold-chain and distribution infrastructure, and pursue value-accretive strategic opportunities. The company remains well poised to capture growth in these countries.

## Q4CY25 Result Update:

- VBL reported a resilient Q4CY26 with consolidated net revenue from operations growing by 14.0% YoY as domestic volumes rebounded and international volumes continue to gain momentum, resulting in steady overall volume growth
- Sales volumes in India grew by 10.5% and International markets grew by 10.0%
- Net realisation per case increased by 3.4% to Rs. 177.3 in Q4 CY25 driven by improved realisation in international territories
- During the quarter, revenue contribution from CSD/NCB/Water stood at 72%/4%/24% whereas for full year CY25, CSD/NCB/Water contribution stood at 73.9%/5.9%/20.2%.
- Gross profit grew by 12.6% YoY to Rs 2328 cr despite gross profit margin contracting by 70 bps YoY to 55.4% on account of higher revenues
- GOI's revision in Labour code resulted in an impact of ~Rs 14 cr, limiting EBITDA growth to 10.2% YoY. EBITDA margin contracted by 52 bps YoY to 15.2%. PAT grew by 36.0% YoY, driven by volume growth, lower finance costs and higher other income, including interest from deposits in India and favourable currency movement in international operations.
- In CY25, the mix of low sugar and no sugar products increased to the level of ~59% of consolidated volumes, reflecting VBL's continuous focus on healthier beverage offerings.

## Concall takeaways:

- The company continues to steadily execute its plans and strategies, delivering resilient volume growth in India and Internationally, despite weather related disruptions, domestically.
- Volume growth in India was impacted during parts of the year due to unprecedented heavy rainfall throughout the year. However, performance improved meaningfully in Q4 with domestic volumes growing up by 10.5%.
- VBL's greenfield plants and backward integration facilities commissioned in CY25 have progressively stabilized during the year and are expected to meaningfully contribute to volumes and operating leverage, in the upcoming summer season.
- International operations continue to scale well, delivering double-digit volume growth during the quarter, with South Africa reporting healthy volumes. The company has further strengthened its presence in the region through acquisition of Twizza (Pty) Limited.
- VBL's snacks business in Morocco has significantly ramped-up, with distribution of snacks in Zimbabwe and Zambia gaining traction. The company continues to expand its reach and diversify its product portfolio in these countries.

- In CY25, VBL capitalized new capex of Rs 4500 cr (of which Rs 1650 cr was incurred in CY24). This includes primary capex of Rs 1700 cr in setting up 4 greenfield production facilities in India and Rs 300 cr towards brownfield expansion in Sri City and Gorakhpur.
- International capex stood at Rs 1300 cr, towards commissioning of a PET line and backward integration facilities in DRC.
- The company continues to invest in phase-wise expansion projects and strengthening its distribution network by investing in visi-coolers and supply chain network.

### Valuation & Recommendation:

VBL has delivered robust volume growth over the last 5 years at a CAGR of 23.3% between CY20-25. The company's aggressive expansion, both organic as well as inorganic, in Africa has led to International volume growth significantly outpacing domestic volume growth at 33.6% and 20.0% CAGR during this period, respectively. Weather-related disruptions in India have impacted volumes in CY25, however, the company remains confident of revival in CY26 summer season, with investments in manufacturing and distribution capabilities, expected to yield results. International

Going forward, growth is expected to be supported by expansion in general trade reach, addition to visi-coolers and continued progress on backward integration and capacity enhancement, strengthening supply chain efficiency and cost competitiveness. However, despite the recent correction, the current valuations seem to reasonably price in the future growth outlook, leaving limited margin of safety.

**Investors can add the stock on dips in the band of Rs 404-416 (32.0x FY28E EPS) for a fair value of Rs 500 (39.0x FY28E EPS) over the next four quarters. At the LTP of Rs 463.6, the stock is trading at 36.0x FY28E EPS.**

### Recent Developments:

- In December 2025, VBL through its subsidiary, The Beverages Company Proprietary Limited acquired 100% stake in Twizza (Pty) Limited, South Africa.
  - The company has 3 manufacturing facilities, including backward integration, significantly enhancing its manufacturing footprint and route-to-market capabilities in Africa's largest soft drink market.
  - This acquisition also offers meaningful synergies to its existing operations in the country and will aid in expanding its product portfolio and categories.
  - The acquisition is expected to be completed on or before 30 June 2026.
- VBL has incorporated a wholly-owned subsidiary in Kenya to manufacture, distribute and sell beverages in the country.

- Signed an exclusive Distribution Agreement with Carlsberg Breweries A/S for their brand – Carlsberg to test market beer in the territories of certain African subsidiaries of VBL.
- VBL added the alcoholic beverage business in the Main Objects of the Memorandum of Association. The company sees an opportunity for expansion into the business of RTD & Alcoholic Beverages, including beer, wine, liquor, brandy, whisky, gin, rum, vodka in India & abroad.
- Varun Zimbabwe and Varun Zambia (subsidiaries of the Company) started the distribution & selling of PepsiCo's snack products in the territory of Zimbabwe and Zambia w.e.f. 1 February 2025.
  - The company also recently commenced 4 new greenfield production facilities in India at Prayagraj; Uttar Pradesh, Damtal; Himachal Pradesh, Buxar; Bihar, and Mendipathar; Meghalaya. It has further set up backward integration facilities at Prayagraj plant in India, as well as at its DRC plant in the international territory.
  - VBL has acquired 50% equity share capital of Everest Industrial Lanka (Private) Limited ("EIL"), Sri Lanka. EIL manufactures, distributes and sells commercial visi-coolers and related accessories.

The company has taken several initiatives, both in India as well as Internationally to enhance its manufacturing capacity, increase geographical reach and deepen its distribution network in these regions, making it future-ready to capture the strong growth potential in its incumbent countries.

#### Key Risks:

- **High Dependence on PepsiCo** – The company derives the majority of its revenue from bottling and distributing products of PepsiCo. Any change in franchise agreements, pricing power, or strategic priorities could materially impact margins and growth.
- **Geographic Concentration Risk** – Although expanding internationally, a large portion of revenues still comes from India (~70%). Weak monsoons, regional disruptions, or regulatory changes in key states can affect demand.
- **Seasonality of Demand** – Sales are highly seasonal, with peak demand in summer months. Unseasonal rains, cooler summers, or extended winters can significantly impact volumes and inventory cycles.
- **Raw Material & Packaging Cost Volatility** – Key inputs such as PET resin, sugar, glass bottles, and fuel are commodity-linked. Sharp price increases can pressure margins if not fully passed on to consumers.
- **Regulatory & Health Risks** – Increasing scrutiny on sugary beverages, potential sugar taxes, plastic ban, or environmental compliance norms could raise costs or reduce demand.
- **Competitive Intensity** – Strong competition from Coca-Cola bottlers and regional beverage players can pressure pricing, market share, and promotional spends.

## Key Operating Metrics:

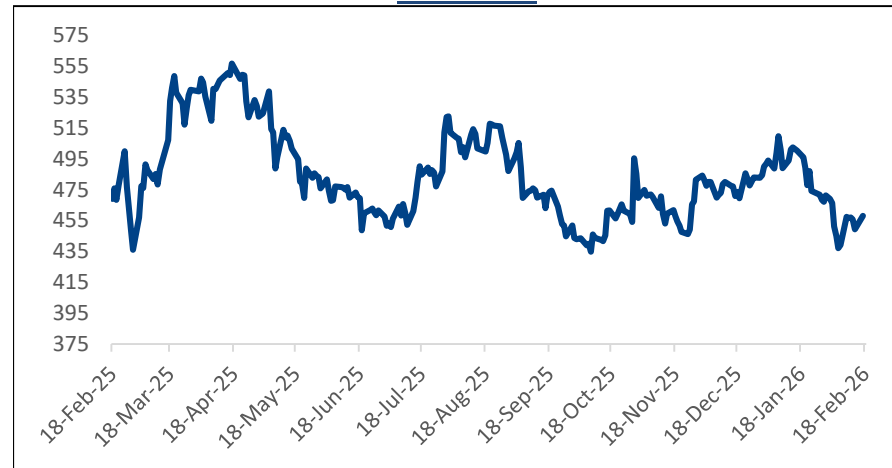
Volume (Mn Cases)	FY20	FY21	FY22	FY23	FY24	FY25
India	337	454	653	737	821	839
<i>India Volume Growth</i>	-16.6%	34.7%	43.8%	12.9%	11.4%	2.2%
International	88	115	149	176	303	374
<i>International Volume Growth</i>	-1.1%	30.7%	29.6%	18.1%	72.2%	23.4%
<b>Total</b>	<b>425</b>	<b>569</b>	<b>802</b>	<b>913</b>	<b>1,124</b>	<b>1,213</b>
<b>Overall Volume Growth</b>	<b>-13.8%</b>	<b>33.9%</b>	<b>40.9%</b>	<b>13.8%</b>	<b>23.1%</b>	<b>7.9%</b>

## Financial Summary:

Particulars (in Rs Cr)	Q4CY25	Q4CY24	YoY-%	Q3CY25	QoQ-%	CY23	CY24	CY25	CY26E	CY27E	CY28E
Operating Income	4204	3689	14%	4897	-14%	16,043	20,008	21,685	24,622	27,331	30,064
EBITDA	639	580	10%	1147	-44%	3,609	4,711	5,049	5,602	6,382	7,200
APAT	252	185	36%	741	-66%	2,056	2,595	3,036	3,280	3,785	4,337
Diluted EPS (Rs)	0.7	0.6	32%	2.2	-66%	6.3	7.9	9.0	9.7	11.2	12.8
RoE-%						59.3	22.0	16.8	15.6	15.6	15.5
P/E (x)						73.1	58.2	51.5	47.7	41.3	36.1
EV/EBITDA						44.8	33.3	31.1	27.7	23.9	20.7

(Source: Company, HDFC sec)

Price chart



(Source: Company, HDFC sec)

## HDFC Sec Prime Research Rating description

### Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

### Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions.

These stocks

have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

### Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicity of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

### Rating Criteria

Buy - > 15%+ return potential

Add - +5% to +15% return potential

Reduce - -10% to +5% return potential

Sell - >10% downside return potential

**Disclosure:**

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