

Annual Report Round-Up 17th March 2025



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- Varun Beverages Limited (VBL) delivered a robust performance in CY24, driven by organic volume expansion, an improved product mix, and contributions from recent acquisitions. Consolidated sales volume grew by 23.2% YoY, while net realization per case increased by 1.3% YoY, leading to a 24.7% YoY rise in revenue and a 25.3% YoY growth in PAT.
- Net revenue from operations reached INR 200,077 Mn in CY24, surpassing INR 160,426 Mn recorded in CY23. Total sales volumes for CY24 stood at 1,123 Mn cases, up from 913 Mn cases in the previous year. The company registered double-digit growth across both Indian and international operations, with India growing by 11.4% and consolidated volumes rising by 23.2%. However, organic volume growth in international markets stood at 6.3% YoY, impacted by the transition to a zero-sugar portfolio following the implementation of a sugar tax in Zimbabwe.
- In CY24, CSD (Carbonated Soft Drinks) accounted for 74.2% of total sales volumes, JBD (Juice-Based Drinks) for 6.2%, and Packaged Drinking Water for 19.6%. Realization per case increased by 1.3% YoY to INR 177.9 for the year.
- During the year, gross margins improved by 165 bps to 55.5%, compared to 53.8% in the previous year. This expansion was primarily driven by strategic procurement and storage of PET ((Polyethylene Terephthalate) chips to avail price benefits, along with efforts to reduce sugar content and increase backward integration. Consequently, EBITDA grew by 30.5% to INR 47,110.7 Mn, with EBITDA margins improving by 105 bps to 23.5% in CY24. However, this was partially offset by the consolidation of the South African market and fixed costs associated with new capital expenditures, which are yet to be fully utilized.
- PAT saw a notable increase of 25.3% YoY, reaching INR 26,343 Mn in CY24, compared to INR 21,018 Mn in CY23, driven by volume growth and improved margins.
- In CY24, the company's net capital expenditure stood at approximately INR 45,000 Mn, with INR 24,000 Mn spent in CY23. Of the total capex, INR 32,000 Mn was allocated for the establishment of four greenfield production facilities, distributed as follows: Supa (Maharashtra) ~INR 10,000 Mn, Gorakhpur (Uttar Pradesh) ~INR 11,000 Mn, Khordha (Odisha) ~INR 5,000 Mn, and DRC ~INR 6,000 Mn. An additional INR 8,000 Mn was invested in international markets, including backward integration. The remaining capex was for future years, covering visi-coolers, glass bottles, pallets, vehicles, and other strategic investments.
- During the year, VBL became net debt-free following the repayment of loans using proceeds from the QIP issue. While the company's financial position has strengthened, efforts to enhance operational efficiencies remain ongoing.
- During CY24, VBL implemented a sub-division/split of existing Equity Shares where each share with a face value of INR 5/- was split into 2 Equity Shares having a face value of INR 2/- each.

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Varun Beverages Limited (VBL) is a leading player in India's beverage industry and the second-largest PepsiCo franchisee globally (outside the U.S.). The company operates in 10 countries with franchise rights and has distribution rights in an additional four countries. India remains its largest market, contributing approximately 72.0% of net revenues in CY24.

Varun Beverages Limited (VBL) – Strategic Partnership with PepsiCo

- VBL has maintained a strong, synergistic partnership with PepsiCo for over three decades, accounting for 90% of PepsiCo's sales volumes in India. This partnership underscores VBL's pivotal role in PepsiCo's India operations.

Diverse Product Portfolio

- VBL manufactures, markets, and distributes a wide range of PepsiCo beverages, including:
 - Carbonated Soft Drinks (CSDs): Pepsi, Pepsi Zero, Mountain Dew, Sting, Seven-Up, Mirinda, Seven-Up Nimbooz Masala Soda, and Evervess.
 - Non-carbonated beverages (NCBs): Slice, Tropicana Juices (100% & Delight), Seven-Up Nimbooz, Gatorade, and Aquafina packaged drinking water.

Extensive Geographic Presence

- VBL holds franchise rights for 26 Indian States and 6 Union Territories, along with Nepal, Sri Lanka, Morocco, Zambia, Zimbabwe, South Africa, Lesotho, Eswatini, and the DRC. Additionally, the company has distribution rights in Namibia, Botswana, Mozambique, and Madagascar.

Expanding into the Snacks Segment

- VBL has expanded its partnership with PepsiCo's snacks division, securing exclusive manufacturing and distribution rights for Cheetos in Morocco, Zimbabwe, and Zambia. This move strengthens VBL's portfolio and enhances synergies with its existing infrastructure.

- Varun Beverages Limited (VBL) continues to expand rapidly, driven by strong volume growth, deeper rural penetration, and international acquisitions in South Africa, Tanzania, and Ghana. In CY24, the company commissioned new greenfield facilities, increasing India's peak month capacity by ~45.0% over CY22. Rising demand for low/no sugar products, snacks, and value-added dairy further strengthens growth prospects. Margin stability, cost efficiencies, and backward integration support profitability, while BevCo's operations offer scope for improvement. With a strong financial position, net debt-free status, and distribution expansion, VBL is well-positioned for sustained double-digit growth in both India and international markets.
- We expect Revenue/EBITDA/Adj. PAT to grow by 22.1%/23.2%/27.9% CAGR over CY24-26E. The company's share price is currently trading at 46.5x/39.5x on its CY25E/CY26E EPS, respectively. We maintain our P/E multiple of 52.0x based on a CY26E EPS of INR 12.6, arriving at a target price of INR 657 per share (earlier INR 770 per share), implying a 34.6% upside from CMP. Subsequently, we maintain our 'BUY' rating on Varun Beverages Ltd.**

Key Information

Sector	FMCG
M-Cap (INR Mn)	16,51,482
52-week H/L (INR)	681/ 420
Volume Avg (3m K)	8,229
CMP (INR)*	488
Target Price (INR)	657
Upside (%)	34.6%
Recommendation	BUY

*Based on the previous closing

*Note: All the market data is as of previous closing.

Shareholding Pattern (%)

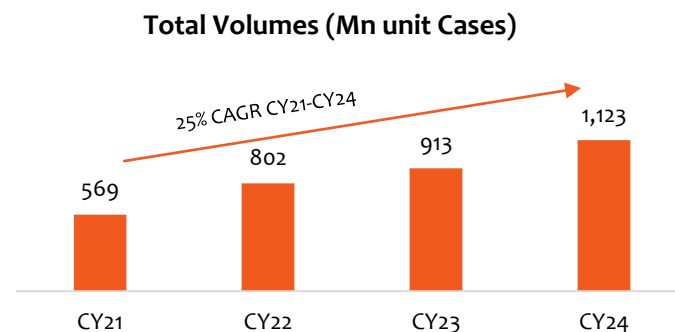
Particulars	CY24	CY23
Promoters	60.2	63.1
FIIIs	25.3	26.6
DIIIs	7.0	3.6
Others	7.5	6.7
Total	100.0	100.0

Source: BSE

Robust volume growth and improved realizations drive strong topline expansion

Particulars	CY24	CY23
Revenue net of excise (INR Mn)	2,00,077	1,60,426
YoY Growth (%)	24.7%	21.8%
Consolidated Volumes	1,123	913
YoY Growth (%)	23.0%	13.8%
Net realization (in Rs.)	178	176
YoY Growth (%)	1.4%	7.0%

Source: Company, DevenChoksey Research



- VBL's net revenue from operations reached INR 2,00,077 Mn in CY24, up 24.7% YoY from INR 160,426 Mn recorded in CY23.
- Total sales volumes for CY24 grew by 23.0% YoY to 1,123 Mn cases from 913 Mn-unit cases sold in CY23, reflecting the strong and consistent demand for its products.
- VBL registered double-digit volume growth in both its Indian and international operations. Volumes in India grew by 11.4% YoY to 821 Mn unit cases and volumes in International markets grew by 72.2% YoY to 303 Mn unit cases. However, organic volume growth in international markets stood at 6.3%, impacted by the transition to a zero-sugar portfolio following the implementation of a sugar tax in Zimbabwe.
- VBL's proactive approach in expanding its product portfolio, particularly with the addition of the energy drink 'Sting', and the company's endeavors in Dairy, Hydration, and Juice segments, played a role in the robust growth.
- The realization per case increased by 1.4% YoY to INR 178 in CY24, driven by improvements in the product mix.
- In CY 2024, CSD accounted for 74.2% of total sales volumes, JBD at 6.2%, and Packaged Drinking Water at 19.6%.
- The company expanded its global and domestic presence with the acquisition of South Africa-based BevCo, strengthening its African footprint.
- In India, the company commissioned three greenfield facilities in Supa, Gorakhpur, and Khordha, enhancing production capacity. Additionally, the Kinshasa facility in the DRC now operates at full capacity with three shifts.
- The company strengthened its international presence by signing agreements to acquire PepsiCo's businesses in Tanzania and Ghana, with integration efforts enhancing operations in key global markets, including South Africa.

Indian Soft Drinks Industry: Navigating Challenges and Opportunities

Muted Demand Amid Weather Disruptions

- Despite being a traditionally high-growth market driven by urbanization and evolving consumer preferences, the Indian soft drinks industry faced subdued demand in 2024. Unseasonal rains during peak summer months significantly impacted sales, disrupting the sector's key revenue period.

Resilient Supply Chain and Brand Strategies

- The industry leveraged strong distribution networks, value-for-money packs, and digital marketing to counter challenges. However, macroeconomic headwinds limited the effectiveness of these efforts, resulting in a decline in overall volumes.

Optimistic Outlook with Growth Drivers

- Looking ahead, the upcoming summer season, product innovations, and strategic marketing are expected to drive growth. The industry is also focusing on sustainable packaging and low/no-sugar variants, aligning with consumer preferences for long-term expansion.

Infrastructure Enhancements Supporting Market Reach

- Improved cold storage, expanded distribution, and increased deployment of Visi Coolers in under-penetrated regions have strengthened market access. These advancements are expected to boost chilled beverage consumption and unlock new growth opportunities.

Soft Drinks Industry – Key Growth Drivers and Opportunities

Urbanization and Rising Spending Power

- Rapid urban growth and an expanding middle class are driving higher consumption of soft drinks. Increased disposable incomes and a growing female workforce contribute to greater spending on convenience beverages, boosting demand.

Youth-Driven Demand

- India's young population is a major growth catalyst, showing a strong preference for trendy, innovative, and international beverage brands. The demand for unique flavors and limited-edition variants continues to shape market trends.

Rural Market Expansion

- Rural India remains an untapped growth avenue. Strengthening last-mile distribution, introducing affordable SKUs, and deploying Visi Coolers in underserved regions are crucial strategies for deeper penetration and consistent demand growth.

Weather-Driven Consumption

- India's hot and prolonged summer seasons create a natural demand for refreshing beverages. Rising temperatures are expected to further boost soft drink consumption across various climatic regions.

Innovation and Product Diversification

- To cater to evolving consumer preferences, the industry is expanding its product portfolio with innovative flavors, unique packaging, and new beverage formats.

Health and Wellness Trends

- Growing health consciousness is driving demand for low-sugar, zero-calorie, and functional beverages with vitamins and probiotics. Brands are responding with organic and natural ingredient-based drinks to align with these shifting preferences.

VBL Accelerating growth in international markets

Expanding Manufacturing and Distribution Infrastructure

- In CY24, the company made significant strides in expanding its manufacturing footprint to meet rising demand. In India, three new greenfield facilities in Supa, Gorakhpur, and Khordha enhanced capacity, catering to under-penetrated markets. Internationally, the DRC facility scaled to full utilization within months, prompting plans for backward integration and a second facility. Additionally, continuous expansion of the distribution network and chilling infrastructure remains a key priority, reinforcing the company's ability to capture growth opportunities and meet future demand.

Expanding into the Snacks Segment

- In CY24, the company strengthened its collaboration with PepsiCo, diversifying its portfolio and expanding into new geographies. It entered an Exclusive Snacks Appointment Agreement to manufacture and package Cheetos in Morocco by May 2025.
- Additionally, it secured exclusive franchising rights for “Simba Munchiez” in Zimbabwe and Zambia, with distribution starting in February 2025 and manufacturing commencing by October 2025E and April 2026E, respectively. This strategic expansion leverages existing infrastructure and marks a key milestone in portfolio diversification.

Strengthening Presence in Africa

- In CY24, the company made significant strides in expanding its African footprint. A key milestone was the successful integration of BevCo in South Africa, enhancing operational capabilities and consolidating presence across franchised territories in South Africa, Lesotho, and Eswatini while securing distribution rights in Namibia, Botswana, Mozambique, and Madagascar.
- Further strengthening its presence, the company signed agreements to acquire PepsiCo's businesses in Tanzania and Ghana, including a 100% stake in SBCT, a market leader with five manufacturing facilities.
- SBCT's robust infrastructure and diverse product portfolio, including PepsiCo brands and its energy drink, Supa Komando, position the company to cater to East Africa's growing demand. Similarly, the acquisition of SBCG will reinforce its footprint in West Africa.

Key Business Developments – 2024

Strategic Acquisitions

- Acquired The Beverage Company Proprietary Limited (BevCo) in South Africa, consolidating its presence in South Africa, Lesotho, and Eswatini, with distribution rights in Namibia, Botswana, Mozambique, and Madagascar (March 26, 2024).
- Entered agreements to acquire 100% share capital of SBC Tanzania Ltd. (USD 154.50M) and SBC Beverages Ghana Ltd. (USD 15.06M), subject to regulatory approvals (November 13, 2024).

Expansion into Snacks Business

- **Morocco:** Exclusive manufacturing rights for Cheetos, complementing the existing Lays, Cheetos, and Doritos distribution agreement.
- **Zimbabwe & Zambia:** Entered an exclusive franchising agreement to manufacture, distribute, and sell Simba Munchiez.
- **Distribution commenced on February 1, 2025;** manufacturing facilities are expected to be operational in Morocco (May 1, 2025), Zimbabwe (October 1, 2025), and Zambia (April 1, 2026).

Manufacturing Capacity Expansion

- Commissioned four new facilities in Supa (Maharashtra), Gorakhpur (Uttar Pradesh), Khordha (Odisha), and Kinshasa (Democratic Republic of Congo).
- Expanded backward integration facilities at plants in Guwahati (India), Morocco, Zambia, and Zimbabwe.

Financial Developments

- Raised INR 75,000 Mn through 132.74 Mn equity shares for debt repayment and acquisitions.
- September 12, 2024 – Sub-divided shares from a face value of INR 5 to INR 2 per share.
- Strengthened corporate governance with a formalized dividend strategy post-listing (since November 2016).

Category	Product / Initiative	Details	Launch Year
New Beverages	Expansion of Pepsi Zero & Sting Energy Drink	Increased focus on low-calorie and energy drink segments.	CY24
New Flavors	New Limited-Edition Flavors for Carbonated Soft Drinks	Introduced innovative flavors to align with changing consumer preferences.	CY24
Juice-Based Drinks	Expansion of Tropicana Juices (100% & Delight)	Enhanced portfolio to cater to health-conscious consumers.	CY24
Snacks	Introduction of "Simba Munchiez" in Zimbabwe & Zambia	Part of exclusive snack franchising with PepsiCo. Distribution started in Feb 2025; manufacturing to commence by Oct 2025 (Zimbabwe) & Apr 2026 (Zambia).	CY25E
Snacks	Manufacturing of Cheetos in Morocco	Set to begin operations by May 2025 under an exclusive snacks' appointment with PepsiCo.	CY25E
New Market Entry	Introduction of PepsiCo's portfolio in Tanzania & Ghana	Pending regulatory approval, expected to expand presence in Africa	CY25E

Source: Company, DevenChoksey Research

Expanding capacities and territories for future growth

Accelerated Capacity Expansion by VBL

- For the CY24 season, VBL commissioned four new greenfield production facilities with a total investment of approximately INR 32,000 Mn to strengthen its manufacturing and supply chain capabilities. These include:
 - India:** Three new plants in Supa (Maharashtra), Gorakhpur (Uttar Pradesh), and Khordha (Odisha) to cater to growing demand in underpenetrated regions.
 - International:** A new greenfield production facility in Kinshasa, Democratic Republic of Congo (DRC), which became fully operational in a three-shift format, supporting the company's aggressive expansion in Africa.
 - Additionally, VBL expanded its backward integration and production capacities at its Guwahati plant in India and at facilities in Morocco, Zambia, and Zimbabwe to improve operational efficiencies.
- As of CY24, VBL's net capital expenditure stood at INR 45,000 Mn, compared to INR 24,000 Mn in CY23.
- Capex Allocation:**
 - Greenfield Production Facilities - INR 32,000 Mn:**
 - Supa, Maharashtra – INR 10,000 Mn
 - Gorakhpur, Uttar Pradesh – INR 11,000 Mn
 - Khordha, Odisha – INR 5,000 Mn
 - Democratic Republic of Congo (DRC) – INR 6,000 Mn
 - International Expansion & Backward Integration: INR 8,000 Mn**
 - The remaining capex was for future years, including visi-coolers, glass bottles, pallets, vehicles, etc.
- Investments over the last two years have significantly expanded production capacity in India, with annual peak season capacity increasing by ~45.0% in CY24 compared to CY22. This expansion strengthens VBL's ability to meet rising demand and drive long-term growth.
- Looking ahead, VBL remains committed to enhancing its production capacity, particularly in the juices and value-added dairy segments, in line with evolving consumer preferences.

Balance sheet and Cash flow analysis

- Varun Beverages Limited (VBL) significantly reduced its net debt in CY24, bringing it down to INR 5,600 Mn from INR 51,891 Mn in CY23. This was achieved through strategic debt repayments, leveraging INR 75,000 Mn raised via a Qualified Institutions Placement (QIP), and robust cash flow generation from an EBITDA of INR 47,112 Mn (30.5% YoY growth). The company's gearing ratio improved from 42.79% to 3.26%, reflecting a strong balance sheet.
- Looking ahead, an additional outlay of approximately INR 16,000 Mn for capex is anticipated for the CY25E season.
- The debt-to-equity ratio improved to -0.01x in CY24 from 0.67x in CY23 and Net debt to EBITDA declined from 1.31x in CY23 to -0.02x in CY24 reflecting strong deleveraging, robust cash flows, and strategic debt repayments, strengthening the company's financial position.
- Cash flow from operating activities grew by 41.4% YoY to INR 33,811 Mn for CY24 from INR 23,908 Mn for CY23.
- Cash flow used in investing activities increased by 31.2% YoY to INR 43,168 Mn in CY24 vs. INR 32,899 Mn in CY23. This was on account of heavy investments in capacity expansion.
- Cash flow from financing activities was an inflow of INR 29,535 Mn in CY24 vs. an inflow of INR 9,849 Mn in CY23. The increase in financing inflows in CY24 was driven by INR 75,119 Mn raised through share capital issuance (QIP), offsetting higher long-term debt repayments (INR 55,084 Mn) and interest payments (INR 4,650 Mn), reflecting strategic deleveraging and equity-driven capital expansion.
- Average net working capital days in CY24 declined to 66 days from 77 days in CY23 primarily due to improved trade receivables management, higher trade payables, and inventory optimization.
- VBL's balance sheet reflects strong expansion, improved liquidity, and deleveraging. The company funded growth through equity while reducing debt, strengthening its financial position, and ensuring sustainable long-term growth.

Strong volume growth coupled with enhanced margins

- VBL's net revenue from operations reached INR 200,077 Mn in CY24, up 24.7% YoY from INR 160,426 Mn recorded in CY23. The strong growth was fueled by resilient consumer demand, despite the adverse impact of unseasonal heavy rains during the peak season.
- Total sales volumes for CY24 grew by 23.0% YoY to 1,123 Mn cases from 913 Mn-unit cases sold in CY23, reflecting the strong and consistent demand for its products.
- VBL registered double-digit volume growth in both its Indian and international operations. Volumes in India grew by 11.4% YoY to 821 Mn unit cases and volumes in International markets grew by 72.2% YoY to 303 Mn unit cases.
- The realization per case increased by 1.4% YoY to INR 178.1 in CY23, driven by improvements in the product mix.
- VBL saw an improvement in operating profits with a 30.5% YoY growth in EBITDA and a 105 bps YoY expansion in EBITDA margin. The margin improvement was supported by lower PET (Polyethylene Terephthalate) prices and greater emphasis on low-sugar/no-sugar products.
- The improvement in operating profits flowed down to the Adj. PAT level as well which grew by 26.2% YoY to INR 25,946 Mn and Adj. PAT margin expanded by 15 bps YoY to 13.0%.

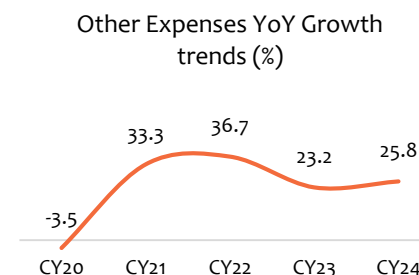
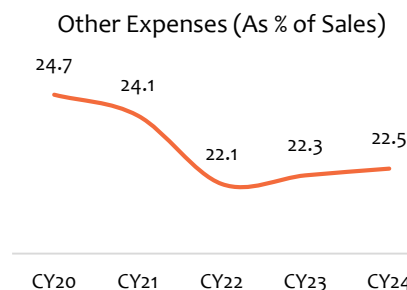
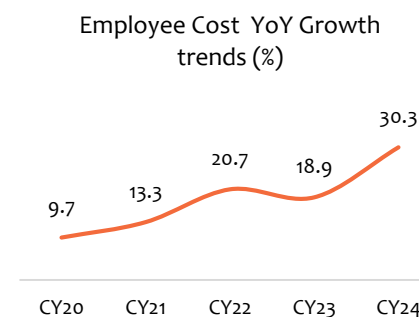
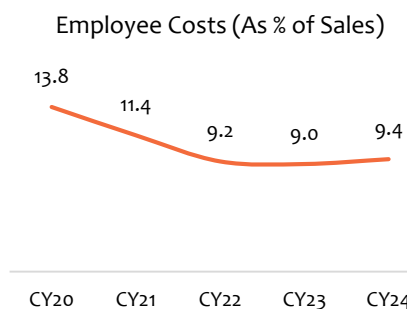
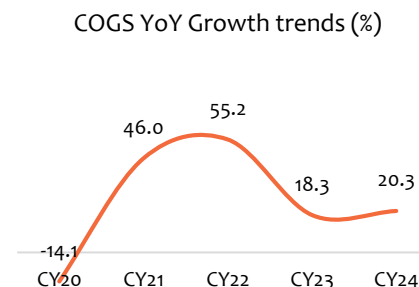
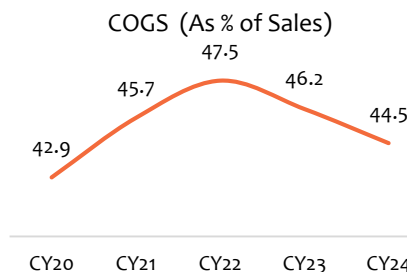
	CY24	CY23
Revenue net of excise (INR Mn)	2,00,077	1,60,426
YoY Growth (%)	24.7%	21.8%
EBITDA (INR Mn)	47,111	36,095
YoY Growth (%)	30.5%	29.5%
EBITDA Margin	23.5%	22.5%
Adj. PAT (INR Mn)	25,946	20,559
YoY Growth (%)	26.2%	37.3%
Adj. PAT Margin	13.0%	12.8%

Source: Company, DevenChoksey Research

Category wise volume (Mn unit cases)	CY24	CY23
CSD	833	657
% Volume	74.2%	72.0%
Juice	69	58
% Volume	6.2%	6.3%
Water	221	198
% Volume	19.7%	21.7%
Total Volumes	1,123	913
YoY Growth	23.0%	13.8%

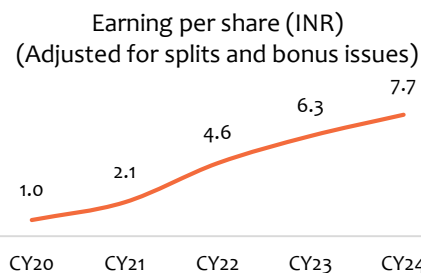
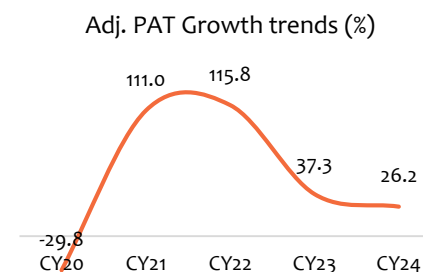
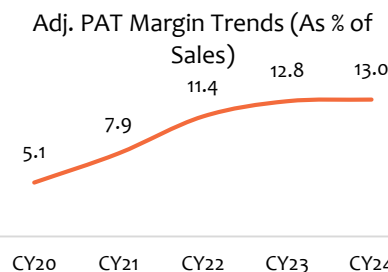
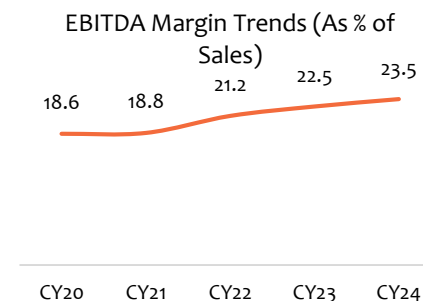
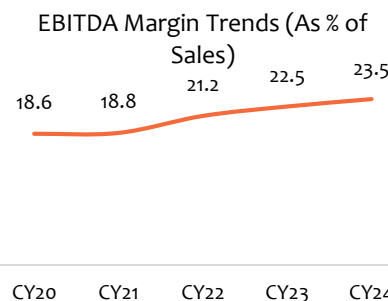
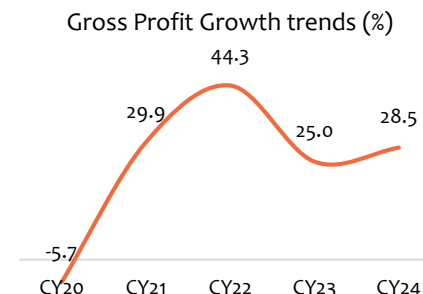
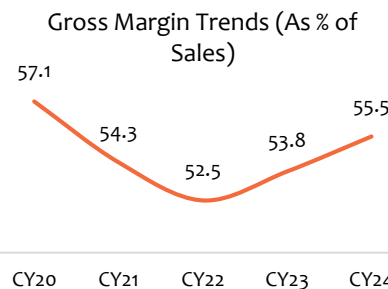
Source: Company, DevenChoksey Research

- In CY24, VBL's COGS rose YoY due to increased raw material and packaging costs. However, procurement efficiencies, cost-control measures, and higher adoption of recycled PET (r-PET) helped offset inflationary pressures. As a result, COGS as a percentage of sales improved to 44.5% from 46.2% in CY23, contributing to margin expansion and operational efficiency.
- Employee costs as % of sales increased by 40 bps YoY to 9.4% in CY24.
- Other expenses as % of sales increased marginally by 20 bps YoY to 22.5% in CY24.
- As the movement in employee costs and other expenses as % of sales almost nullified each other, the improvement in gross margin was passed down to the EBITDA margin level.
- Resultantly, due to improved gross margins, EBITDA improved by 30.5% YoY to INR 47,111 Mn, accompanied by an improvement in EBITDA margins by 105 bps to 23.5% in CY24. However, this was partially offset by the consolidation of the South African market and the fixed costs associated with new capital expenditures, which are yet to be fully utilized.



Source: Company, DevenChoksey Research

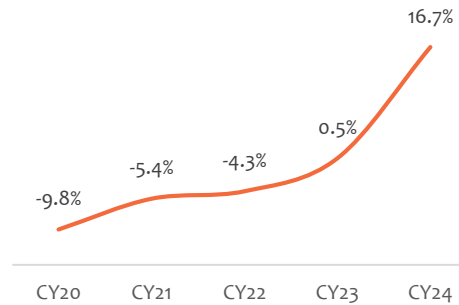
- VBL's Gross Margin for CY24 improved by 165 bps YoY to 55.5%. This expansion was primarily driven by the strategic procurement and storage of PET chips to avail price benefits, along with efforts to reduce sugar content and increase backward integration.
- EBITDA improved by 30.5% YoY to INR 47,111 Mn, accompanied by an improvement in EBITDA margins by 105 bps to 23.5% in CY24. PAT for CY24 stood at INR 25,946 Mn, growing by 26.2% YoY, aided by the strong operating performance.
- Depreciation recorded a 39.1% YoY increase in CY 2024, while finance costs rose by 68.0% YoY, primarily due to the acquisition of BevCo and the establishment of four new production facilities in India and the Democratic Republic of the Congo (DRC).
- EPS continued its positive trajectory in CY24 and grew by 21.2% YoY to INR 7.7 driven by volume growth and improved margins.



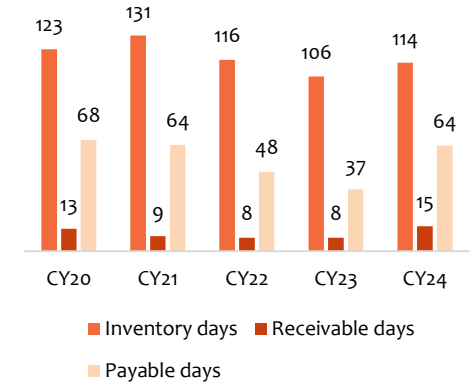
Source: Company, DevenChoksey Research

- **Working capital:** Despite inorganic expansion into new markets, including South Africa and DRC, the company's working capital days improved to approximately 66 days as of December 31, 2024, compared to 77 days in the previous year.
- **Dividend:** For CY24, the Board of Directors of VBL recommended a total dividend of INR 1.75 per equity share. The total dividend included an interim dividend of INR 1.25 per share with a face value of INR 5 each which was declared on July 30, 2024, and a final dividend of INR 0.50 per share with a face value of INR 2 each (April 3, 2025 (AGM Approval Pending)).
- **Corporate action:** During CY24, VBL decided to subdivide/ split its existing equity shares to broaden the shareholder base and increase the accessibility of its shares to a diverse range of investors. Each equity share, previously with a face value of INR 5 fully paid-up, was divided into two shares, each having a new face value of INR 2 fully paid-up, effective 12th Sep 2024.

Working Capital Trends
(As % of Sales)



Working Capital days



Particulars	CY24	CY23
Interim Dividend	1.25	1.25
Final Dividend	0.50	1.25
Dividend per share	1.75	2.50
YoY Growth	-30.0%	42.9%
Total (INR Mn)	3,315	3,248
YoY Growth	2.1%	42.9%

Source: Company, DevenChoksey Research

- VBL's strategic ESG priorities include Environmental Protection, Inclusion & Diversity, Community, and Governance.
- **Environmental Initiatives:**
 - **Water Conservation:** VBL recharged 15.54 Bn liters of water in CY24, exceeding the 7.27 Bn liters consumed, ensuring a sustainable water footprint.
 - **Plastic Waste Management:** 88% of used PET bottles were recycled, reflecting a 2.0% YoY improvement in alignment with Extended Producer Responsibility (EPR) norms.
 - **Renewable Energy Adoption:** The company increased its renewable energy mix to 16.0%, marking a 3.0% improvement in YoY, and aims for 30.0% by 2030E.
 - **Carbon Footprint Reduction:** VBL remains committed to its net-zero emissions goal by 2050E, validated by the Science Based Targets Initiative (SBTi).
 - **Sustainable Packaging:** The company introduced 100% recycled PET bottles (excluding labels and caps) for select beverages and aims to incorporate 30.0% r-PET in total PET packaging by CY25E.
- **Social Initiatives:**
 - **Healthcare Support:** Through the AARU Care Initiative, VBL provided free medical consultations, medicines, and diagnostic tests to over 3.4 lakh patients across underserved regions.
 - **Education Initiatives:** The company sponsored free education for ~34,000 students since 2003 and collaborated with Shiksha Kendra School to support underprivileged children.
 - **Workforce Inclusion:** 20.0% of VBL's workforce consists of diverse and underprivileged backgrounds, with dedicated employment opportunities for marginalized communities.
- **Governance Initiatives**
 - **Corporate Compliance:** VBL upholds the highest corporate governance standards, with regular audits and a strong Code of Conduct covering anti-bribery and ethical business practices.
 - **ESG Leadership Recognition:** The company secured a position on the CDP A List for Climate and Water Security, reinforcing its commitment to sustainability.
 - **Ethical Leadership:** VBL's governance structure ensures adherence to SEBI (LODR) Regulations, with transparency in financial and operational disclosures.

- Varun Beverages Limited (VBL) continues its strong growth trajectory, driven by robust volume expansion, expanding distribution networks, and deeper rural penetration in India. The company also strengthened its international footprint with key acquisitions in South Africa, Tanzania, and Ghana, enhancing operational scale and geographical diversification.
- Future growth is well-supported by strategic capacity expansions. In CY24, VBL commissioned three greenfield production facilities in India (Supa, Gorakhpur, Khordha) and a fully operational plant in Kinshasa, DRC, collectively increasing India's peak month capacity by ~45% over CY22. This ensures the company is well-positioned to meet rising demand across all beverage categories.
- The company continues to benefit from the growing preference for low/no sugar products, which accounted for 40.2% of sales in CY24, reflecting evolving consumer preferences towards healthier alternatives. Additionally, margin stability was driven by cost efficiencies, backward integration, and procurement optimization.
- VBL's strategic focus on snacks and value-added dairy segments, in collaboration with PepsiCo, further enhances growth prospects. The company remains committed to strengthening its supply chain, improving margins through operational efficiencies, and expanding its general trade footprint.
- Despite BevCo's lower margins, operational synergies with Zambia and Zimbabwe provide an opportunity for margin improvement. With a strong balance sheet, net debt-free status, and sustainable growth initiatives, VBL remains well-positioned to sustain double-digit growth and drive long-term value for stakeholders.
- We continue to like VBL as it has significant growth potential in India as well as international markets led by distribution expansion, capacity expansion, entry into new territories and products, and a strong financial position.
- **We expect Revenue/EBITDA/Adj. PAT to grow by 22.1%/23.2%/27.9% CAGR over CY24-26E. The company's share price is currently trading at 46.5x/39.5x on its CY25E/CY26E EPS, respectively. We maintain our P/E multiple of 52.0x based on a CY26E EPS of INR 12.6, arriving at a target price of INR 657 per share (earlier INR 770 per share), implying a 34.6% upside from CMP. Subsequently, we maintain our 'BUY' rating on Varun Beverages Ltd.**

Exhibits: Quarterly Income Statement

Particulars (INR Mn)	Q4CY24	Q3CY24	Q4CY23	QoQ	YoY	CY24	CY23	YoY
Gross revenue	38,176	49,321	27,310	(22.6%)	39.8%	2,04,813	1,63,211	25.5%
Excise duty	1,288	1,274	633	1.1%	103.5%	4,737	2,785	70.1%
Revenue from Operations (net of excise duty)	36,888	48,047	26,677	(23.2%)	38.3%	2,00,077	1,60,426	24.7%
Total Expenditure	31,088	36,536	22,494	(14.9%)	38.2%	1,52,966	1,24,331	23.0%
Cost of Raw Materials	17,055	17,850	12,087	(4.5%)	41.1%	82,937	70,265	18.0%
Purchase of Stock	1,444	1,463	1,022	(1.3%)	41.3%	6,859	4,627	48.2%
Changes in Inventories	(2,297)	2,051	(1,540)	(212.0%)	49.1%	(749)	(843)	11.1%
Employee Cost	4,790	5,130	3,713	(6.6%)	29.0%	18,850	14,466	30.3%
Other expenses	10,096	10,041	7,212	0.5%	40.0%	45,068	35,816	25.8%
EBITDA	5,800	11,511	4,183	(49.6%)	38.7%	47,111	36,095	30.5%
EBITDA Margin (%)	15.7%	24.0%	15.7%	(824 bps)	4bps	23.5%	22.5%	105 bps
Depreciation	2,608	2,566	1,660	1.6%	57.1%	9,474	6,809	39.1%
EBIT	3,192	8,945	2,523	(64.3%)	26.5%	37,637	29,286	28.5%
Interest Expense	1,090	1,185	737	(8.0%)	48.0%	4,504	2,681	68.0%
Other Income	446	243	91	84.1%	389.7%	1,213	794	52.8%
PBT	2,548	8,002	1,878	(68.2%)	35.7%	34,346	27,398	25.4%
Exceptional Items	0	0	0	NA	NA	0	0	NA
Tax	585	1,713	442	(65.9%)	32.3%	7,988	6,375	25.3%
Share in P&L / MI	(112)	(93)	(116)	20.2%	(3.4%)	(411)	(464)	11.3%
PAT	1,851	6,196	1,320	(70.1%)	40.3%	25,946	20,559	26.2%
PAT Margin	5.0%	12.9%	4.9%	(788 bps)	7bps	13.0%	12.8%	15 bps
Diluted EPS (INR)	0.56	1.91	0.41	(70.6%)	37.3%	7.97	6.33	26.0%
Adj. PAT	1,851	6,196	1,320	(70.1%)	40.3%	25,946	20,559	26.2%
Adj. PAT margin	5.0%	12.9%	4.9%	(788 bps)	7bps	13.0%	12.8%	15 bps
Adj. EPS	0.55	1.91	0.41	(71.3%)	34.8%	7.67	6.33	21.2%

Source: Company, DevenChoksey Research

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INR Mn	CY22	CY23	CY24	CY25E	CY26E
Revenues	1,31,731	1,60,426	2,00,077	2,49,546	2,91,695
COGS	62,612	74,049	89,047	1,11,472	1,29,963
Gross profit	69,120	86,377	1,11,029	1,38,074	1,61,732
Employee cost	12,166	14,466	18,850	20,347	25,785
Other expenses	29,072	35,816	45,068	56,280	64,445
EBITDA	27,881	36,095	47,111	61,446	71,502
EBITDA Margin	21.2%	22.5%	23.5%	24.6%	24.5%
D&A	6,172	6,809	9,474	13,963	13,963
EBIT	21,709	29,286	37,637	47,483	57,539
Interest expense	1,861	2,681	4,504	1,943	2,409
Other income	388	794	1,213	1,445	1,697
PBT	20,236	27,398	34,346	46,985	56,827
Tax	4,735	6,375	7,988	10,896	14,333
Minority interest	(527)	(464)	(411)	(588)	(693)
PAT	14,974	20,559	25,946	35,501	41,801
Adj. PAT	14,974	20,559	25,946	35,501	41,801
EPS (INR)	4.6	6.3	7.7	10.5	12.6
Adj. EPS	4.6	6.3	7.7	10.5	12.6

Source: Company, DevenChoksey Research

Exhibits: Income Statement (Other Expenses)

Other Expenses (INR Mn)	CY20	CY21	CY22	CY23	CY24	YoY Growth CY24-C23
Power and fuel	2,670	3,299	4,792	5,503	6,295	14.4%
Repairs	1,984	2,487	3,527	4,075	5,293	29.9%
Consumption of stores and spares	660	797	1,194	1,296	1,512	16.7%
Rent	511	497	542	802	971	21.1%
Rates and taxes	110	847	205	902	519	(42.5%)
Travelling and conveyance	511	675	1,064	1,215	1,550	27.6%
Vehicle running and maintenance	145	163	180	594	1,236	107.9%
Security and service charges	401	359	445	564	847	50.2%
Legal, professional and consultancy	402	269	339	510	873	71.1%
Advertisement and sales promotion	1,165	1,249	1,398	1,964	2,521	28.4%
Freight, octroi and insurance paid (Net)	4,588	6,190	9,113	11,021	14,031	27.3%
Delivery vehicle running and maintenance	1,017	657	842	832	836	0.5%
Distribution expenses	103	1,440	2,101	2,250	3,065	36.2%
Loading and unloading charges	305	474	681	882	1,110	25.8%
Loss on disposal of property, plant and equipment (Net)	4	170	569	842	729	(13.5%)
Net loss on foreign currency transactions and translations	90	0	65	575	634	10.3%
General office and other miscellaneous	384	400	539	500	600	20.0%
Miscellaneous	896	1,290	1,476	1,489	2,447	64.3%
TOTAL	15,946	21,262	29,072	35,816	45,068	25.8%

Source: Company, DevenChoksey Research

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INR Mn	CY22	CY23	CY24	CY25E	CY26E
Non-current assets					
Property, plant and equipment (incl. ROU)	63,571	78,378	1,19,857	1,42,517	1,58,813
Capital work-in-progress	6,066	19,222	11,623	12,823	12,823
Intangible assets (inc. Goodwill)	5,751	5,713	14,161	20,639	20,052
Investment property	0	179	534	534	534
Investment in Associate	487	654	1,267	1,267	1,267
Financial assets	6,267	5,368	5,357	6,664	7,782
Other non-current assets	63,571	78,378	1,19,857	1,42,517	1,58,813
Investment in acquisitions	0	0	0	0	0
Total non-current assets	82,142	1,09,516	1,52,799	1,84,445	2,01,272
Current assets					
Inventories	19,939	21,505	27,912	34,942	40,738
Financial assets					
Trade receivables	2,993	3,594	8,458	10,539	12,318
Cash and cash equivalents	1,543	2,422	22,663	16,520	33,068
Other Balances with Banks	1,309	2,177	1,838	1,838	1,838
Loans	0	0	0	0	0
Other financial assets	3,977	7,388	8,356	10,412	12,169
Current tax assets (Net)	0	3	49	49	49
Other current assets	4,278	5,267	9,364	11,667	13,637
Total current assets	34,040	42,356	78,640	85,966	1,13,816
TOTAL ASSETS	1,16,182	1,51,872	2,31,439	2,70,411	3,15,088

Source: Company, DevenChoksey Research

INR Mn	CY22	CY23	CY24	CY25E	CY26E
EQUITY AND LIABILITIES					
Equity					
Equity share capital	6,496	6,496	6,763	6,763	6,763
Other equity	44,528	62,869	1,59,335	1,95,377	2,37,814
Non-controlling interests	1,131	1,482	1,298	1,298	1,298
Total equity	52,155	70,847	1,67,396	2,03,438	2,45,875
LIABILITIES					
Non-current liabilities					
Financial liabilities					
Borrowings	17,270	31,889	8,407	8,407	8,407
Lease liabilities/ Other financial liabilities	1,654	1,979	3,571	3,571	3,571
Provisions	2,041	2,126	1,894	1,894	1,894
Deferred tax liabilities	3,368	3,430	4,879	4,879	4,879
Other non-current liabilities	6	68	47	47	47
Total non-current liabilities	24,340	39,493	18,798	18,798	18,798
Current liabilities					
Financial liabilities					
Borrowings	19,678	20,054	15,236	14,236	13,236
Lease liabilities	236	390	1,049	1,049	1,049
Trade payables	8,243	7,582	15,604	19,534	22,774
Other financial liabilities	5,594	7,638	7,043	7,043	7,043
Other current liabilities	5,937	5,866	6,312	6,312	6,312
Total current liabilities	39,688	41,532	45,244	48,174	50,414
Total liabilities	64,028	81,025	64,043	66,972	69,213
TOTAL EQUITY AND LIABILITIES	1,16,182	1,51,872	2,31,439	2,70,411	3,15,088

Source: Company, DevenChoksey Research

Cash Flow Statement INR Mn	CY22	CY23	CY24	CY25E	CY26E
Net Cash Generated From Operations	17,900	23,908	33,811	41,103	49,628
Net Cash Flow from/(used in) Investing Activities	(17,046)	(32,899)	(43,168)	(44,302)	(29,672)
Net Cash Flow from Financing Activities	(179)	9,849	29,535	(2,943)	(3,409)
Net Inc/Dec in cash equivalents	675	858	20,179	(6,142)	16,548
Opening Balance	1,508	1,543	2,422	22,663	16,520
Unrealised exchange differences on translation of cash and cash equivalent in subsidiaries (F)	(639)	21	62	0	0
Closing Balance Cash and Cash Equivalents	1,543	2,422	22,663	16,520	33,068

Key Ratio	CY22	CY23	CY24	CY25E	CY26E
EBITDA Margin (%)	21.2%	22.5%	23.5%	24.6%	24.5%
Tax rate (%)	23.4%	23.3%	23.3%	23.2%	25.2%
Net Profit Margin (%)	11.4%	12.8%	13.0%	14.2%	14.3%
RoE (%)	29.3%	29.6%	15.6%	17.6%	17.1%
RoCE (%)	28.4%	26.5%	20.2%	21.4%	21.7%
RoCE ex cash (%)	29.5%	27.7%	23.3%	23.3%	25.0%
Adj. EPS (INR)	4.6	6.3	7.7	10.5	12.4
Adj. P/E	105.9x	77.2x	63.6x	46.5x	39.5x

Source: Company, DevenChoksey Research

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