VBL

nuvama institutional equities

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	495
12 month price target (INR)	595
52 Week High/Low	664/419
Market cap (INR bn/USD bn)	1,536/17.4
Free float (%)	37.0
Avg. daily value traded (INR mn)	3,046.2

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	59.44%	59.82%	60.23%
FII	21.93%	21.86%	22.98%
DII	11.78%	10.52%	9.19%
Pledge	0.04%	0.04%	0.04%

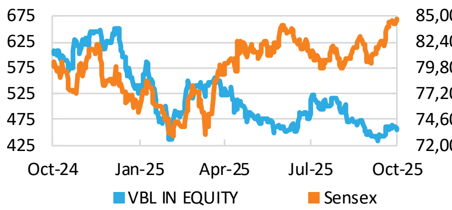
FINANCIALS (INR mn)

Year to March	CY24A	CY25E	CY26E	CY27E
Revenue	2,00,077	2,18,117	2,53,615	2,90,258
EBITDA	47,111	50,591	58,781	66,954
Adjusted profit	25,946	28,764	34,202	38,955
Diluted EPS (INR)	7.7	8.5	10.1	11.5
EPS growth (%)	(66.7)	34.4	31.8	35.4
RoAE (%)	22.1	16.8	18.4	18.9
P/E (x)	64.5	58.2	48.9	43.0
EV/EBITDA (x)	35.5	33.2	28.6	24.8
Dividend yield (%)	0	1.0	1.0	1.0

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	CY26E	CY27E	CY26E	CY27E
Revenue	2,53,615	2,90,258	-5%	-5%
EBITDA	58,781	66,954	-5%	-5%
Adjusted profit	34,202	38,955	-5%	-5%
Diluted EPS (INR)	10.1	11.5	-5%	-5%

PRICE PERFORMANCE



Diversifying amid more competition

Varun Beverages (VBL) reported a weak Q3CY25 along expected lines. Management announced plans to expand the business scope to include the AlcoBev segment, both in India and overseas. Timeline is unclear for an India entry. However, VBL is testing waters piloting distribution of Carlsberg Beer in Africa. Consolidated volume grew 2.4% YoY; India volume remained flat YoY on a soft base of 5.7% growth. Revenue inched up 1.9% YoY while EBITDA came in flat YoY.

October marked double-digit growth, but a potentially harsher winter (owing to La Niña) remains a key factor to monitor. We are cutting CY25E–27E EPS by ~5% building in a weak Q3 and rolling forward the valuation, which yield a TP of INR595 (earlier INR606); retain 'BUY'.

Entering AlcoBev

What we like: International volumes grew 9% YoY with strong double-digit growth in South Africa. GM expanded 119bp YoY to 56.7% driven by a higher water mix in international markets. PAT increased 18% YoY due to finance costs, sharply down 62% YoY after repayment of India debt from QIP proceeds, and 5x YoY surge in Other Income due to interest on deposits in India and favourable currency movement in the international territories. **What we do not like:** India volumes staying flat YoY on a soft base of 5.7% growth. Net realisation per case at INR178.8 remained flat YoY.

Coca Cola in Alco-Bev segment in India: Launched two years ago, but low visibility and presence given high-entry barriers and distribution is different. In our view, this is an interesting move and could expand the ready to drink Alco-Bev market. We do not expect any near/medium-term impact on existing Alco-Bev players.

Key announcements: An exclusive distribution agreement with Carlsberg to test distribution of beer in select African territories. This is in a pilot stage wherein Beer will be imported in these territories. Carlsberg distribution will only be limited to Africa and shall not be done in India. We have not build this in our projections as this is too early. Inclusion of alcoholic beverages and RTD drinks in its business scope for India as well, although timeline remains unclear. Incorporation of a wholly owned subsidiary in Kenya for beverage manufacturing and distribution.

Competitive landscape: For the first time, PepsiCo (parentco) cited rising competition in India, along with adverse weather conditions, as the key reasons for its weak Q3CY25. Meanwhile, Reliance Consumer has for the first time claimed double-digit market share in key states (as per Nielsen) and reported robust volume growth. Tata Consumer's RTD volume is likely to grow 19% YoY, better than other summer categories.

Financials

Year to March	Q3CY25	Q3CY24	% Change	Q2CY25	% Change
Net Revenue	48,967	48,047	1.9	70,174	(30.2)
EBITDA	11,474	11,511	(0.3)	19,988	(42.6)
Adjusted Profit	7,412	6,288	17.9	13,170	(43.7)
Diluted EPS (INR)	2.2	1.9	13.2	3.9	(43.7)

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Financial Statements

Income Statement (INR mn)

Year to December	CY24A	CY25E	CY26E	CY27E
Total operating income	2,00,077	2,18,117	2,53,615	2,90,258
Gross profit	1,11,029	1,22,288	1,42,730	1,64,072
Employee costs	18,850	16,566	18,529	20,920
Other expenses	45,068	55,131	65,420	76,198
EBITDA	47,111	50,591	58,781	66,954
Depreciation	9,474	13,666	15,296	17,250
Less: Interest expense	4,504	1,511	1,092	1,092
Add: Other income	1,213	3,032	3,237	3,267
Profit before tax	34,331	38,429	45,612	51,859
Prov for tax	7,988	9,268	11,014	12,508
Less: Other adj	0	0	0	0
Reported profit	25,946	28,764	34,202	38,955
Less: Excp.item (net)	0	0	0	0
Adjusted profit	25,946	28,764	34,202	38,955
Diluted shares o/s	3,382	3,382	3,382	3,382
Adjusted diluted EPS	7.7	8.5	10.1	11.5
DPS (INR)	0	5.0	5.0	5.0
Tax rate (%)	23.3	24.1	24.1	24.1

Balance Sheet (INR mn)

Year to December	CY24A	CY25E	CY26E	CY27E
Share capital	6,763	6,763	6,763	6,763
Reserves	1,59,335	1,71,194	1,88,491	2,10,542
Shareholders funds	1,66,098	1,77,957	1,95,254	2,17,305
Minority interest	1,298	1,695	2,091	2,488
Borrowings	23,643	18,407	15,000	12,004
Trade payables	15,604	16,652	19,269	21,936
Other liabs & prov	19,087	19,087	19,087	30,610
Total liabilities	2,31,243	2,39,311	2,56,214	2,92,340
Net block	1,19,857	1,35,866	1,47,834	1,58,457
Intangible assets	11,151	11,151	11,151	11,151
Capital WIP	14,676	14,676	14,676	14,676
Total fixed assets	1,45,684	1,61,694	1,73,661	1,84,285
Non current inv	0	0	0	0
Cash/cash equivalent	24,501	11,832	10,548	22,410
Sundry debtors	8,458	9,221	10,722	12,271
Loans & advances	15,344	15,344	15,344	17,415
Other assets	36,269	38,394	43,114	53,138
Total assets	2,31,243	2,39,311	2,56,214	2,92,340

Important Ratios (%)

Year to December	CY24A	CY25E	CY26E	CY27E
India CSD (%)	14.8	2.0	10.0	10.0
India NCB (%)	15.1	2.0	8.0	6.0
India PDW (%)	(0.8)	2.0	6.0	5.0
EBITDA margin (%)	23.5	23.2	23.2	23.1
Net profit margin (%)	13.0	13.2	13.5	13.4
Revenue growth (% YoY)	24.7	9.0	16.3	14.4
EBITDA growth (% YoY)	30.5	7.4	16.2	13.9
Adj. profit growth (%)	26.2	10.9	18.9	13.9

Free Cash Flow (INR mn)

Year to December	CY24A	CY25E	CY26E	CY27E
Reported profit	25,946	28,764	34,202	38,955
Add: Depreciation	9,474	13,666	15,296	17,250
Interest (net of tax)	3,456	1,146	829	829
Others	8,904	7,016	8,458	13,200
Less: Changes in WC	(6,694)	(1,840)	(3,604)	3,022
Operating cash flow	33,811	39,485	44,166	60,747
Less: Capex	(37,790)	(29,676)	(27,263)	(27,874)
Free cash flow	(3,979)	9,808	16,903	32,873

Assumptions (%)

Year to December	CY24A	CY25E	CY26E	CY27E
GDP (YoY %)	6.0	6.0	6.0	6.0
Repo rate (%)	4.0	4.0	4.0	4.0
USD/INR (average)	83.0	84.0	85.0	85.0
Sub Volume (%)	91.0	24.2	10.4	10.6
India Margin (%)	25.7	26.4	26.1	26.2
Sub Margin (%)	18.2	16.5	16.9	16.7
Total Volumes (mn cases)	1,124.0	1,256.2	1,376.1	1,505.7

Key Ratios

Year to December	CY24A	CY25E	CY26E	CY27E
RoE (%)	22.1	16.8	18.4	18.9
RoCE (%)	24.8	20.5	22.8	23.9
Inventory days	45	48	47	47
Receivable days	11	15	14	14
Payable days	21	27	26	26
Working cap (% sales)	15.0	14.6	14.0	12.0
Gross debt/equity (x)	0.1	0.1	0.1	0.1
Net debt/equity (x)	0	0	0	0
Interest coverage (x)	8.4	24.4	39.8	45.5

Valuation Metrics

Year to December	CY24A	CY25E	CY26E	CY27E
Diluted P/E (x)	64.5	58.2	48.9	43.0
Price/BV (x)	10.1	9.4	8.6	7.7
EV/EBITDA (x)	35.5	33.2	28.6	24.8
Dividend yield (%)	0	1.0	1.0	1.0

Valuation Drivers

Year to December	CY24A	CY25E	CY26E	CY27E
EPS growth (%)	(66.7)	34.4	31.8	35.4
RoE (%)	22.1	16.8	18.4	18.9
EBITDA growth (%)	30.5	7.4	16.2	13.9
Payout ratio (%)	0	0	0	0

Source: Company and Nuvama estimates

Exhibit 1: Trends at a glance

KEY DATA	Q3CY23	Q4CY23	Q1CY24	Q2CY24	Q3CY24	Q4CY24	Q1CY25	Q2CY25	Q3CY25
Consolidated									
Revenue (INR bn)	38.7	26.7	43.2	72	48	36.9	55.7	70.2	49.0
EBITDA (INR bn)	8.8	4.2	9.9	19.9	11.5	5.8	12.6	20	11.5
PAT (INR bn)	5	1.3	5.4	12.5	6.3	1.9	7.3	13.2	7.4
Revenue growth (% YoY)	21.8	20.5	10.9	28.3	24.1	38.3	28.9	-2.5	1.9
EBITDA growth (% YoY)	26.2	36.0	23.9	31.8	30.5	38.7	27.8	0.4	-0.3
Gross Margin (%)	55.3	56.6	56.3	54.7	55.5	56.1	54.6	54.5	56.7
EBITDA Margin (%)	22.8	15.7	22.9	27.7	24.0	15.7	22.7	28.5	23.4
Volume growth (% YoY)	15.8	18.2	7.1	28.1	21.9	21.9	30.1	-3	2.4
Standalone									
Revenue (INR bn)	28.9	18.5	34.5	58.0	30.9	20.1	40.5	53.1	30.6
EBITDA (INR bn)	7.1	2.9	8.2	17.4	8.0	3.2	10.1	16.4	7.9
Revenue growth (% YoY)	15.6	19.6	7	24.2	6.7	9.1	17.6	-8.6	-0.7
EBITDA growth (% YoY)	41.3	67.5	22.1	32.9	13.3	9.8	23.1	-5.6	-1.8
India volumes (Mn cases)	171	113	196	326	181	119	227	303	268
Volume growth (% YoY)	15.4	18.9	4.4	22.9	5.7	5.0	15.5	-7.1	FLAT
EBITDA Margin (%)	24.5	15.9	23.8	30.0	25.9	16.0	24.9	30.9	25.7
Gross Margins (%)	55.5	54.2	54	53.2	54.3	55.7	52.9	53	54.4
Volume									
CSD	159	106	169	306	200	158	234	291	202
Juice	11	8	18	32	11	8	22	28	12
Water	50	42	53	63	56	49	56	71	60
Total (Mn Cases)	220	156	240	402	268	216	312	390	274
Growth									
CSD (% YoY)	19.5	24.7	5.6	31.9	25.8	49.1	38.5	-4.9	1.0
Juice (% YoY)	0	14.3	12.5	39.1	2.7	0	22.2	-12.5	6.2
Water (% YoY)	8.7	5	10.4	6.8	12	16.7	5.7	12.7	7.1
Total (% YoY)	15.8	18.2	7.1	28.1	21.7	38.1	30.0	-2.9	2.3
Salience									
CSD (% share)	72.3	67.9	70.4	76.2	75	73	75	75	74
Juice (% share)	5	5.1	7.5	8	4	4	7	7	4
Water (% share)	22.7	26.9	22.1	15.7	21	23	18	18	22

Source: Company, Nuvama Research

Exhibit 2: CAGR trends

Particulars	Q3CY20	Q3CY21	Q3CY22	Q3CY23	Q3CY24	Q3CY25	3-year CAGR	4-year CAGR	5-year CAGR
Revenue (INR)	18,026	23,982	31,766	38,705	48,047	48,967	15.5	19.5	22.1
EBITDA (INR)	3,808	4,947	6,990	8,821	11,511	11,474	18.0	23.4	24.7
PAT (INR)	1,615	2,401	3,810	5,011	6,288	7,412	24.8	32.5	35.6

Source: Nuvama Research, Company

Exhibit 3: Key management commentary: Outlook

Q3CY24	Q4CY24	Q1CY25	Q2CY25	Q3CY25
• In DRC, VBL plans to more than double capacity through expansion of current plant and a new facility • Three snack plants are planned to come up next year in Zimbabwe, Zambia and Morocco, with potential revenue of USD100mn • VBL expects to maintain EBITDA margins of 21-22% in the soft drink industry and plans to use QIP proceeds for debt reduction and potential acquisitions	• It expects continued double digit volume growth in India • Production capacity will increase by 25% YoY in 2025 • For South Africa, it expects more than 30% growth over three years • For India margins, it maintains guidance of atleast 21% • In Morocco's food business, it expects USD25-30mn revenue in 2025 • Projected capex for 2025 is INR3.1bn	• It expects double-digit growth to continue in India's beverage market due to rising incomes and improving cold chain infrastructure • Maintains EBITDA margin guidance of 21% for India operations • For South Africa, it aims to maintain 14% margins going forward • RM costs outlook is stable - packaging costs are stable to slightly lower, while sugar costs have increased slightly, resulting in balanced production costs	• It expects limited capex of 6-7bn in India for next 2 years due to current 70% capacity utilization • VBL plans to expand retail presence by ~10% (300-400k outlets) from current 4mn outlets. • Guided for an EBITDA margin of a minimum of 21% with focus on cost control.	• Aims International business shall grow in early-teens • It sees potential to expand into the Ready-to-Drink (RTD) and Alcoholic Beverages segment • Expects Nimbooz to become a major contributor • Reduction in GST to drive category expansion

Source: Company, Nuvama Research

Exhibit 4: Key management commentary – Competition and demand

Particulars	Q3CY24	Q4CY24	Q1CY25	Q2CY25	Q3CY25
Competition	• Campa Cola is considered a formidable competitor, though VBL indicates it hasn't significantly affected their business yet • It believes there is sufficient room for growth for all players, noting that out of 12mn FMCG outlets in India, they only reach about 4mn • VBL maintains price differentiation from Campa Cola selling PET bottles at INR20 and not competing at the INR10 price point except for glass bottles.	• VBL views B-brands as an existing market reality which is ~20% of the Indian market and sees room for multiple players to grow given the large untapped market potential • It is not seeing any impact on growth from competition and does not feel the need to introduce lower-priced products in response.	• Both VBL and Coca-Cola have shown strong growth, with VBL maintaining double-digit growth despite competition • VBL is strengthening its competitive position by expanding market reach, increasing cold equipment deployment, and reinforcing leadership in energy drinks and hydration categories	• Can sustain margins despite rising competition, citing cost efficiencies from new plants closer to distributors, debt-free status, and operational improvements • When pressed about competition potentially forcing margin resets, it maintained their historical conservative margin guidance while continuing to deliver above it It views consumer demand as healthy, with competition expected to get their share of the market.	• It views competition as healthy and market-expanding • Competitive intensity has increased in soft-drink and on-trade categories due to aggressive INR10 pricing
Demand	• Consolidated sales/volume grew 24.1%/21.9% YoY • Product mix consisted of 75% CSD, 4% juices, and 21% packaged drinking water.	• Consolidated sales/volume grew 38.3%/21.9% YoY • Product mix comprised 73% CSD, 4% non-carbonated beverages, and 23% packaged drinking water. Low sugar/no sugar products increased to 53% of total sales volume	• Strong performance with consolidated sales/volume growth of 28.9%/30.1% YoY • Product mix breakdown: CSDs were 75% of volumes, packaged water 18%, and non-carbonated beverages 7%. Low/no sugar products reached 59.0% of total sales volumes	• Consolidated sales/volume saw a 2.5%/3.0% decline YoY primarily due to abnormal rainfall • Product mix comprised 75% CSD, 18% packaged drinking water, and 7% non-carbonated beverages (NCB) • Low/no-added sugar products made up 56% of consolidated volumes in H125	• Consolidated sales/volume grew 1.9%/2.4% YoY primarily due to extended rainfall • Product mix comprised 74% CSD, 22% packaged drinking water, and 4% non-carbonated beverages (NCB) • Low/no-added sugar products made up 56% of consolidated volume

Source: Company, Nuvama Research

Exhibit 5: Key management commentary – India and International business

Competition	Q3CY24	Q4CY24	Q1CY25	Q2CY25	Q3CY25
India business	• India sales/volume growth was 6.7%/5.7% YoY, primarily impacted by heavy rains throughout the quarter • VBL is expanding distribution by adding ~0.4Mn new outlets annually • Sting energy drink contributes slightly more than 15% to India business • New facilities are being constructed at Kangra (Himachal Pradesh), Prayagraj (Uttar Pradesh), Buxar (Bihar) and Meghalaya	• India sales/volumes grew 9.1%/5.0% YoY in Q4CY24 • VBL currently reaches 4mn outlets out of 12mn potential FMCG outlets in India • Production capacity in India increased by 45% during 2022-2024, with about 25% increase in the last year alone • New product launches planned include Sting Gold energy drink and potentially a jeera drink	• India business saw strong sales/volume growth of 17.6%/15.5% YoY in Q1CY25 • Operations have been commenced at new greenfield production facilities in Kangra and Prayagraj with two more facilities in Bihar and Meghalaya starting soon	• India sales/volumes declined 8.6%/7.1% YoY due to unusually early and heavy monsoon rains • VBL commissioned four new greenfield plants in India at Prayagraj (UP), Damtal (HP), Buxar (Bihar), and Mendipatar (Meghalaya) • India business is now net debt free following QIP proceeds	• India sales/volume remained Flat YoY due to unusually early and heavy monsoon rains • Post QIP-led debt repayment, domestic finance costs are largely eliminated
International business	• International markets' volume grew 77% YoY, primarily due to low base	• International markets' volume growth was 125% YoY primarily due to low base • Expanded into new African territories in 2024, including South Africa and distribution rights for Namibia, Botswana, Mozambique and Madagascar. • VBL entered agreements to acquire PepsiCo's business in Tanzania and Ghana which are waiting approvals • Expanded into snack foods business with PepsiCo in Morocco, Zimbabwe and Zambia.	• International markets volume growth was 95% YoY • South Africa territory integration has progressed well, with sales volume growing 13% over trailing four quarters to 141mn cases and PepsiCo portfolio share increased from 15% to 20% • VBL has initiated PepsiCo snack products distribution in Zimbabwe and Zambia • Planned expansion into Tanzania and Ghana has been put on hold due to pending clearances	• International markets showed strong performance with 15.1% volume growth YoY, led by South Africa's 16.1% growth YoY • Commenced production of PepsiCo snacks in Morocco • VBL is expanding capacity in South Africa through a new can line in Durban and seeking approval for land acquisition in Boksburg • All international territories except Zimbabwe are performing well, with Zimbabwe starting to stabilize after earlier challenges from Sugar Tax	• International volumes grew 9% YoY • In Africa, certain subsidiaries have entered into an exclusive distribution agreement with Carlsberg Breweries A/S to test-market Carlsberg beer in their territories • In Morocco snacks facility has ramped up to full-scale operations

Source: Company, Nuvama Research

Exhibit 6: Key management commentary – Margins

Competition	Q3CY24	Q4CY24	Q1CY25	Q2CY25	Q3CY25
Margins	• Consolidated EBITDA/Gross margin expansion of 120bps/20bps YoY to 24.0%/55.5% • Margin improvements were driven by operational efficiencies, including backward integration at 17 plants reducing freight costs, higher production efficiency from new plants, and more efficient bottling lines.	• Gross margins contracted 50bp YoY to 55.5% driven by strategic procurement of PET chips, reduced sugar content, and increased backward integration • EBITDA margins remained flat at 15.7% YoY despite lower margins in South Africa due to high own-brand mix and new Capex costs	• Gross margins declined 170bp YoY to 54.6% due to lower margins on owned brands in South Africa and higher CSD mix in India • EBITDA margins contracted by 20bp YoY to 22.7% driven by operational efficiencies from strong volume growth	• Gross margins contracted 20bp YoY to 54.5% • EBITDA margin improved 80bp YoY to 28.5% driven by operational efficiencies and strong international currency performance	• Gross margins expanded 116bp YoY to 56.7% • EBITDA margin contracted 53bp YoY to 23.4%

Source: Company, Nuvama Researc

Q3CY25 conference call takeaways

Outlook

- The reduction in GST rates across key categories is viewed as a structural positive. Expects to drive category expansion over time.
- Aims International business shall grow in early-teens.
- The incorporation of a wholly-owned subsidiary in Kenya to carry on the business of manufacturing, distribution and selling of beverages.
- The company sees potential to expand into the Ready-to-Drink (RTD) and Alcoholic Beverages segment, including beer, wine, liquor, brandy, whisky, gin, rum and vodka, both in India and overseas.
- To carry on the business of manufacturing, processing, preparing, packaging, buying, selling, distributing, import, export, trading, dealing and marketing in packaged drinking water, frozen foods, noodles, milk powder, milk preparations and Plastic/PET & other kinds or materials—currently overseas and India also (after some time).
- The company has been expanding capacity over the last two years, and is currently prepared for the upcoming season, possessing enough capacity.

Expansion into African Market

- Certain African subsidiaries of the company have entered into an exclusive distribution agreement with Carlsberg to test-market the Carlsberg brand in their respective territories.
- It covers most of the Southern Africa including the belt from Zambia, Zimbabwe, and DRC.
- The company is starting with one or two countries initially. These markets are mostly considered white spaces.
- The company views this as a "golden opportunity". The decision to enter this business in Africa now is based on stability in the region as well as consumption trends that are similar to CSD.
- Initially, the strategy is distribution only, importing the products to test the market. If the test results are positive, they will then invest in the backend (manufacturing).
- The size of the beer market in most African countries is considered as large as soft drinks or even bigger.
- The regulatory environment in Africa is favourable compared to India, as there are fewer restrictions.
- The company can use the same go-to-market infrastructure for both beverages and beer, making expansion easier and minimising extra expense.
- Furthermore, most stores in Africa are allowed to carry alcohol, especially beer, allowing for common distribution points.

Key financial highlights

- Consolidated sales volume grew 2.4% YoY to 273.8mn cases in Q3CY25 despite heavy rainfall continuing across India throughout the quarter.
- India volumes were almost flat and International volumes grew by 9.0%, led by a strong performance in South Africa.
- Net realisation per case remained at INR178.8 (INR179.6 per case in Q3CY24) due to higher mix of water in International markets.
- Gross margins expanded 119bp YoY to 56.7% in Q3CY25, driven by a higher water mix in international markets and shifting of expenses from purchase of raw materials to employee cost, power & fuel and other manufacturing overheads because of increased in-house backward integration initiatives.
- CSD constituted 74%, NCB 4% and Packaged Drinking Water 22% in Q3CY25.
- Sales volumes stood at 708mn/268mn cases in India/International, totalling 976mn cases for 9MCY25.
- For 9MCY25, mix of Low sugar/No added sugar products was ~ 56%/45% of consolidated/India sales volumes.
- Depreciation increased by 19.9% on account of commissioning of new plants in India & DRC, as well as brownfield expansion in other international markets.
- Post QIP-led debt repayment, domestic finance costs are largely eliminated and overseas finance costs are confined to South Africa.
- Other income includes interest on deposits in India and favourable currency movements across international territories (~INR1bn).

India business

- Hydration category – Nimbooz grew more than 50%.
- Value dairy segment reported 100% growth.
- Performance could have been even stronger with more favourable weather conditions.
- Recently launched Adrenaline Rush (A Rush), priced at INR60, across four cities in the last two days; the product has received good initial response.
- Although heavy rainfall persisted through Q3CY25, the company noted that as soon as the weather changed in October, it shall result in double-digit growth.

GST impact

- GST was implemented smoothly without causing a significant disruption to operation. However, it was slightly impacted in September due to de-stocking.
- 25% of the India portfolio benefited due to GST impact,and benefits were passed on to consumers.

Competition

- Competition remains healthy and is growing the market in long term, with temporary minor impact.
- Given the low per capita consumption, the market has significant headroom for growth.
- It lead to proactive response to market dynamics by the company.

International business

- **Morocco:** Snacks facility in Morocco has ramped up to full-scale operations.
- **Africa:** Another quarter of strong growth. It has 17–18% market share in South Africa and sees strong potential to deepen market presence and is actively building the foundation for sustained regional growth.
- **Kenya**: Incorporating wholly-owned subsidiary in Kenya to carry on the business of manufacturing, distribution and selling of beverages.
- **Zimbabwe**: Upcoming Zimbabwe plant is progressing towards commissioning. The challenge in Zimbabwe was due to a heavy sugar tax, which caused prices to rise and volumes to dip initially, but the market has since recovered and is now back to double-digit growth (more than 10%) since September.

Others

- Formed a joint venture, White Peak Refrigeration Private Limited, in partnership with Everest International Holdings Limited, to manufacture visi-coolers and other refrigeration equipment in India.

Exhibit 7: Quarterly sales volume

Period	Q4 2023		Q4 2024		Q1 2024		Q1 2025		Q2 2024		Q2 2025		Q3 2024		Q3 2025	
CSD	106	68%	158	73%	169	71%	234	75%	307	76%	291	75%	200	75%	202	74%
NCB	8	5%	8	4%	18	7%	22	7%	32	8%	28	7%	11	4%	12	4%
Water	42	27%	49	23%	53	22%	56	18%	63	16%	71	18%	56	21%	60	22%

Source: Nuvama Research, Company

Exhibit 8: Consolidated financial snapshot (INR mn)

Year to March	Q3CY25	Q3CY24	% YoY	Q2CY25	% QoQ
Revenues	48,967	48,047	1.9	70,174	(30.2)
Raw material	21,192	21,364	(0.8)	31,911	(33.6)
Staff costs	5,533	5,130	7.9	5,497	0.7
Others	10,767	10,041	7.2	12,778	(15.7)
Total expenditure	37,493	36,536	2.6	50,186	(25.3)
EBITDA	11,474	11,511	(0.3)	19,988	(42.6)
Depreciation	3,076	2,566	19.9	3,062	0.5
EBIT	8,398	8,945	(6.1)	16,926	(50.4)
Less: Interest Expense	452	1,185	(61.9)	365	23.7
Add: Other income	1,480	243	510.4	772	91.8
Profit Before Tax	9,426	8,002	17.8	17,332	(45.6)
Less: Provision for Tax	1,957	1,713	14.3	4,066	(51.9)
Less: Minority Interest	40	0	NA	85	(52.7)
Add: Share of profit from associates	-17	-1	NA	-12	41.0
Reported PAT	7,412	6,288	17.9	13,170	(43.7)
Adjusted net profit	7,469	6,289	18.8	13,267	(43.7)
Equity capital (FV INR 2)	6,764	6,496	-	6,764	-
No. of Diluted shares outstanding (mn)	3,382	3,248	-	3,382	-
Adjusted Diluted EPS	2.2	1.9	14.1	3.9	(43.7)
As % of net revenues	0	0	0	0	0
Raw material	43.3	44.5	(118.6)	45.5	-220
Staff expenses	11.3	10.7	62	7.8	347
Other expenses	22.0	20.9	109	18.2	378
EBITDA	23.4	24.0	-53	28.5	-505
Net profit	15.3	13.1	216	18.9	-365

Source: Company, Nuvama Research

Exhibit 9: Standalone financial snapshot (INR mn)

Year to March	Q3CY25	Q3CY24	% YoY	Q2CY25	% QoQ
Revenues	30,640	30,868	(0.7)	53,050	(42.2)
Raw material	13,961	14,112	(1.1)	24,946	(44.0)
Staff costs	3,030	3,048	(0.6)	3,304	(8.3)
Others	5,781	5,698	1.4	8,385	(31.1)
Total expenditure	22,772	22,859	(0.4)	36,635	(37.8)
EBITDA	7,868	8,010	(1.8)	16,415	(52.1)
Depreciation	1,720	1,573	9.4	1,801	(4.5)
EBIT	6,148	6,436	(4.5)	14,614	(57.9)
Less: Interest Expense	79	986	(92.0)	37	115.4
Add: Other income	1,497	1,002	49.4	900	66.3
Profit Before Tax	7,565	6,452	17.3	15,477	(51.1)
Less: Provision for Tax	1,791	1,529	17.2	3,875	(53.8)
Reported PAT	5,774	4,923	17.3	11,602	(50.2)
Adjusted net profit	5,774	4,923	17.3	11,602	(50.2)
As % of net revenues	0	0	0	0	0
Raw material	45.6	45.7	(15.0)	47.0	-146
Staff expenses	9.9	9.9	1	6.2	366
Other expenses	18.9	18.5	41	15.8	306
EBITDA	25.7	25.9	-27	30.9	-526
Net profit	18.8	15.9	290	21.9	-302

Source: Company, Nuvama Research

Company Description

VBL is the second largest franchisee in the world (outside US) of carbonated soft drinks and non-carbonated beverages sold under trademarks owned by PepsiCo. The company is also involved in the production and distribution of CSDs, NCBs and packaged drinking water. VBL's operations span across 10 countries – 3 in the Indian Subcontinent (India, Sri Lanka, Nepal), which contributed ~83% to total revenue, and 7 in Africa (Morocco, Zambia, Zimbabwe, South Africa, DRC, Eswatini and Lesotho), which contributed ~17% of revenue in CY23.

Investment Thesis

Distribution heft; best-in-class execution and margins

VBL, PepsiCo's largest franchisee (second largest globally outside US), has since inception made significant investments in production and distribution. A testimony to its distribution heft is its 30% rural volume share, comparable with FMCG companies, despite lower penetration of the beverage category. In addition, VBL's best-in-class execution is reflected in its strong organic volume growth. As a result, PepsiCo has been incrementally transferring a larger pie of its business to VBL (85%-plus now, CY16: 45%). Despite these investments, VBL's margins are the best in India among major bottlers and one of the best globally as well.

Organic growth potential high; portfolio synced to emerging trends

VBL has multiple levers to drive its 10% organic volume growth target (we also build in the same): i) Addition of Visi Coolers to existing outlets and distribution expansion – VBL reaches 2mn outlets (average 5mn for FMCG companies). It intends to add 0.1mn outlets per annum. ii) Scale-up of recently acquired south and west territories where market share is lower than pan-India average. iii) VBL's product mix has evolved in sync with shift in consumer preferences, clearly visible in its recent product launches. The company has an extensive beverage portfolio among all major companies, helping it capture upcoming trends.

Key Risks

- Termination or non-renewal of PepsiCo India's agreements
- Price paid for concentrate
- Exposure to seasonal variation
- Consumption pattern change or overall slowdown impact on growth
- Undertaking acquisitions that drives leverage much higher
- Campa Cola disruption

Additional Data

Management

Chairman	Ravi Jaipuria
Vice Chairman	Varun Jaipuria
Director	Raj Pal Gandhi
CFO	Pankaj Madan
Auditor	Walker Chandiok & Coi LLP

Holdings – Top 10*

	% Holding		% Holding
Norges Bank	1.91	Life Insurance	1.32
Vanguard Group	1.85	Nippon Life Ind	1.31
Republic of Sin	1.84	Schroders PLC	0.76
BlackRock Inc	1.61	SBI Fund Manage	0.67
Nippon Life Ind	1.37	Canara Robeco A	0.63

**Latest public data*

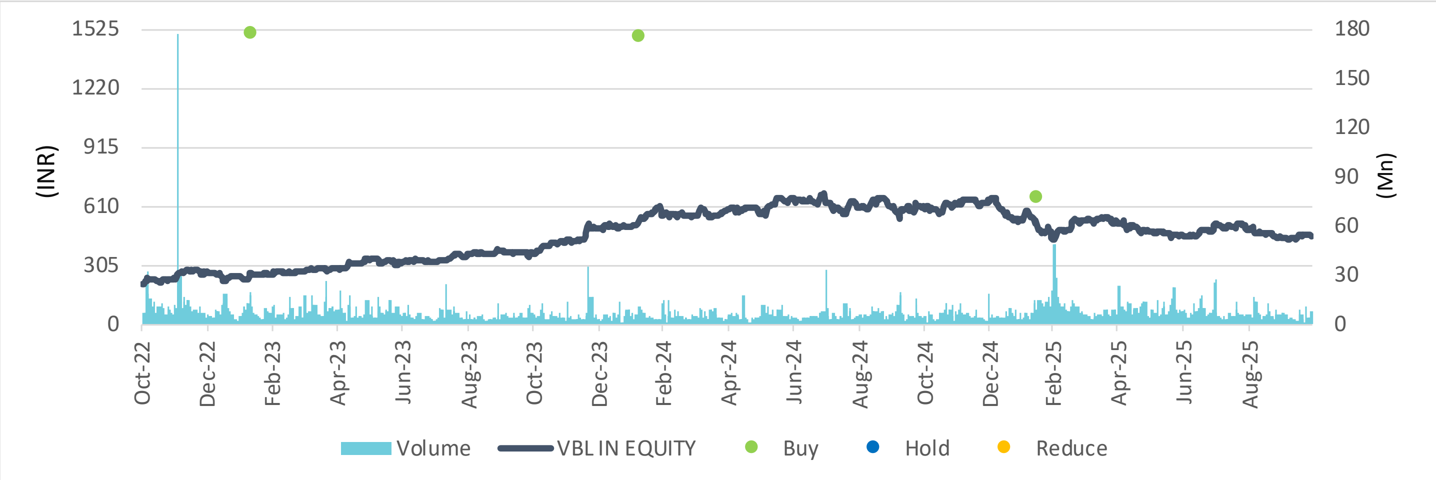
Recent Company Research

Date	Title	Price	Reco
29-Jul-25	Volumes disappoint; margins delight; *Result Update*	512	Buy
30-Apr-25	Impressive volumes in India; *Result Update*	522	Buy
11-Feb-25	Strong inorganic-led growth; *Result Update*	520	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
23-Oct-25	Hindustan Unilever	Decent performance excluding GST impact; *Result Update*
23-Oct-25	Colgate-Palmolive	Double whammy: GST and competition; *Result Update*
16-Oct-25	Nestle India	New MD starts with a sixer; *Result Update*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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