

Analyst Name – Jeet B Bhayani

SEBI Registration No- INH000018142

Trade View Report-



Published Date	April 23rd, 2026
Rating	BUY
Trade Type	Long Term
Stock Name	VBL
Entry Price	484
Target	600
Stop Loss Price	435
Target%	24%
SL%	10%

Rationale-

Varun Beverages Limited (**VBL**) continues to be a dominant force in the Indian FMCG landscape as the second-largest franchisee of PepsiCo worldwide (outside the US).

Here is the fundamental rationale, financial breakdown, and key growth data points as of **April 2026**.

Registered Address- 37, Joy Narayan Santra Lane, Howrah 711101  
Principal Officer- Jeet B Bhayani  
Email- jeetbhayani2017@gmail.com

## 1. Investment Rationale

The core thesis for VBL revolves around its aggressive **territory expansion** and **product diversification** into high-growth categories like energy drinks and dairy.

- **PepsiCo Synergy:** Exclusive rights to manufacture, distribute, and sell a wide range of PepsiCo beverages across vast territories in India and strategic international markets (Africa and South Asia).
- **Energy Drink Dominance:** The "Sting" brand has been a massive disruptor. VBL is leveraging this success to launch variants like *Sting Gold* to capture the functional beverage market.
- **Geographic Expansion:** Recent acquisitions of **SBC Beverages Ghana** and **Twizza (South Africa)** have solidified its African footprint, which now acts as a significant secondary growth engine.
- **Operational Efficiency:** VBL maintains a "virtually debt-free" status despite heavy CAPEX, thanks to strong internal accruals and a recent **₹7,500 crore QIP** (November 2024).

## 2. Latest Quarterly Performance (Q1 CY2026 / Q1 FY27)

VBL follows a **January–December** financial year. The results for the quarter ended March 31, 2026, show steady year-on-year growth despite a high base.

- **Total Revenue:** **₹7,094.53 crore**, reflecting a slight **2.0% decline YoY** compared to ₹7,240 crore in Q1 2025, but a massive **64% increase QoQ** (seasonal recovery).
- **Net Profit (PAT):** **₹1,325.48 crore**, up **5.0% YoY** (from ₹1,261.83 crore) and a **141.9% increase** compared to the previous quarter.
- **EBITDA Margins:** Maintaining a healthy **22.7% to 26%** range in India. While consolidated margins saw a slight 20 bps dip due to lower-margin South African operations, operational leverage in India remains strong.
- **Earnings Per Share (EPS):** Stood at **₹3.90** for the quarter.

### 3. Growth Drivers & Data Points

#### Domestic Strategy (India)

- **Capacity Boost:** Planned **20-25% capacity expansion** in India for 2026 to meet peak summer demand.
- **Distribution Reach:** Aiming to expand retail outlet reach from **4 million to 12 million** over the next few years.
- **Product Mix:** \* **CSD (Carbonated Soft Drinks):** ~72% of revenue.
  - **Juices/Dairy:** Increasing focus on *Tropicana* and *Value-added Dairy* (Creambell).
  - **Water:** *Aquafina* contributes ~24% of volume.

#### International & New Frontiers

- **Africa Entry:** Strategic entry into the **beer market** in Africa through a partnership with **Carlsberg**.
- **Dairy Acquisition:** Acquisition of **Crickley Dairy** in South Africa for ~₹131 Cr to penetrate the value-added dairy segment.
- **Solar Captive Power:** Recent acquisition of stakes in FPEL HR2 Energy and Jager Renewables to secure green energy for plants, reducing long-term power costs.

### 4. Risks to Monitor

1. **Weather Sensitivity:** Q2 (April-June) remains the "make or break" quarter. Unseasonal rains (as seen in 2025) can lead to 3-5% volume drops.
2. **Competition:** The entry of **Reliance (Campa Cola)** has led to aggressive pricing and market share erosion (roughly 8-10% across the industry leaders).
3. **Global Macros:** US reciprocal tariffs and FII outflows in early 2026 have created short-term price volatility for large-cap stocks like VBL.

## 5. Key Operational Data Points

- **Volume Growth Target (2026):** Management has guided for **10%+ volume growth** for the full year 2026, with "mid-teen" potential if the summer remains normal/hot.
- **India Volume Growth:** Witnessed a robust **15.5% YoY** growth in the domestic market, successfully countering the competitive entry of Campa Cola.
- **International Contribution:** The acquisition of **BevCo (South Africa)** added ~41 million cases to the total volume, though it currently operates at a lower EBITDA margin (14.4%) compared to India.
- **Expansion CAPEX:** VBL recently raised **₹7,500 crore via QIP** to fund massive capacity expansion in India and clear debt, making it a "virtually debt-free" balance sheet

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Investment in securities market is subject to market risks. Read all the related documents carefully before investing. Trading in Futures & Options (F&O) carries high risk as it depends on market momentum. "Registration granted by SEBI & Certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to Investors." Past performance is no guarantee of future results.

Intraday- Not more than one day

Short term – 0-15 days

Medium term – 1- 3 months

Long term – more than a Year

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