

Oct 29, 2025

RESULT REPORT Q3CY25 | Sector: Consumer Staples

Varun Beverages Ltd.

Steady abroad; Subdued India

Further unlocking new opportunities in International markets

Subdued internals: Varun Beverages Ltd (VBL's) 3QCY25 operating performance was below our as well as street estimates with subdued India performance and International business providing some support. India business volumes were largely flat YoY due to extended rainfall across India, while International was up by ~9% led by strong growth in South Africa.

EBITDA margin misses: Higher efficiency and operational resilience did not translate into strong margin delivery this quarter even while gross margins improved by 120bps to 56.7% in 3QCY2025 due to increased mix of water in International markets. Standalone margins were down 30bps YoY while Consol. operating margins were down 50bps YoY.

Further unlocking new opportunities: VBL have entered into an exclusive Distribution Agreement with Carlsberg Breweries A/S for their brand – *Carlsberg* for certain African markets. It will test first with couple of territories in Southern markets of Africa and build from there on. Looking at the growing popularity of Ready To Drink (RTD) and variety of Alcoholic Beverages, VBL has added alcoholic beverage business in the Main Objects of the Memorandum of Association.

Valuation and View: We now expect VBL's revenue to grow at ~11% CAGR over CY24-27E ~60bps EBITDA margin improvement largely driven by scale, efficiencies, channel mix improvement and backward integration. Pro-active capacity additions in domestic as well as international businesses along with long runway for distribution expansion and new opportunities explored for International business, gives us good visibility on medium-to-long term growth. We maintain our BUY rating with revised target price (TP) of Rs625 (Rs600 earlier), as we assign a target multiple of ~49x on Sept'27E EPS.

3QCY25 Result Highlights

- **Headline performance:** Consolidated net sales grew 1.9% YoY to Rs48.9bn (vs our est. of Rs50.1bn) in 3QCY25. EBITDA was flat YoY to Rs11.4bn (vs our est. of Rs12.3bn). Adjusted PAT (APAT) grew by 19.6% to Rs7.4bn (vs our est. of Rs6.9bn) supported by lower interest cost and higher other income.
- **Volumes:** Overall volumes for the quarter grew by ~2.5% YoY to 274mn cases (including BevCo. and DRC), In line with our est. India volume growth stood flattish YoY.
- **Margins:** Overall gross margin up ~120bps YoY to 56.7% (up 220bps QoQ) in 3QCY25. EBITDA margins were down 50bps YoY to 23.4% in 3QCY25 (vs est. 24.5%).
- **Per case:** Net realization per case for the quarter for the quarter was down 0.6% YoY to Rs179 (vs est. Rs185) in 3QCY25 due to higher mix of water in international markets. EBITDA per case stood at Rs42 in 3QCY25 (down by 2.8% YoY) vs Rs43 in 3QCY24
- **9MCY25 consol. performance:** Net sales, EBITDA and APAT grew by 7.1%, 6.8% and 15.6% YoY, respectively. Gross margin was down 40bps YoY to 55.2% and EBITDA margin was flattish YoY to 25.2% in 3QCY25.

Key Conference Call Highlights

- (1) VBL sees no reason to not deliver double-digit growth going forward in India if weather remains favorable.
- (2) From the current ongoing quarter or next quarter, company should revert to teens growth in International business.

Exhibit 1: Actual vs estimate

Parameter	Q3CY25	QoQ (%)	YoY (%)	vs Est	vs Bloom
Revenue	48,967	(30.2)	1.9	Inline	Miss
EBITDA	11,474	(42.6)	(0.3)	Miss	Miss
EBITDA Margin (%)	23.4	(5.1)	(0.5)	Miss	Miss
PAT / EPS	7,412	(43.7)	19.6	Beat	Beat

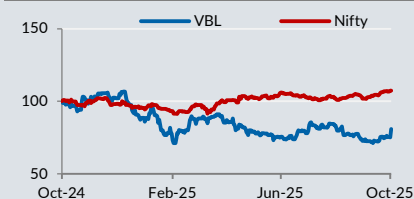
Source: Bloomberg, YES SEC

RECO	: BUY
CMP	: Rs 495
Target Price	: Rs 625
Potential Return	: +26.1%

Stock data (as on Oct 29, 2025)

Nifty	26,054
52 Week h/l (Rs)	664 / 420
Market cap (Rs/USD mn)	1535930 / 17412
Outstanding Shares (mn)	3,382
6m Avg t/o (Rs mn):	3,345
Div yield (%):	0.2
Bloomberg code:	VBL IN
NSE code:	VBL

Stock performance



	1M	3M	1Y
Absolute return	9.7%	-3.3%	-18.7%

Shareholding pattern (As of June'25 end)

Promoter	59.8%
FII+DII	32.4%
Others	7.8%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	625	600

Δ in earnings estimates

	CY25e	CY26e	CY27e
EPS (New)	9.3	11.3	13.2
EPS (Old)	9.2	11.4	13.6
% change	1.6%	-1.1%	-2.7%

Financial Summary

(Rs bn)	CY25E	CY26E	CY27E
Revenue	214	243	272
YoY Growth (%)	6.8	13.9	11.9
EBIDTA	50	58	66
Margins (%)	23.6	23.9	24.2
APAT	31	38	45
EPS	9.3	11.3	13.2
YoY Growth (%)	19.5	21.4	16.9
Pre-tax RoCE (%)	21.4	24.5	26.1
ROE (%)	18.0	19.8	20.9
P/E (x)	53.2	43.8	37.5
EV/EBITDA (x)	9.1	8.3	7.4

VISHAL PUNMIYA

Lead Analyst

📞 +91 22 6992 2934 / 35 / 36



MANAS RASTOGI, Associate

Exhibit 2: Quarterly snapshot (Consolidated)

Particulars (Rs. Mn)	3QCY24	2QCY25	3QCY25	YoY (%)	QoQ (%)	9MCY24	9MCY25	YoY (%)
Net Sales	48,046	70,174	48,967	1.9	-30.2	163,188	174,810	7.1
COGS	21,364	31,911	21,192	-0.8	-33.6	72,845	78,394	7.6
% of sales	44.5	45.5	43.3	-1.2	-2.2	44.6	44.8	0.2
Gross margin %	55.5	54.5	56.7	1.2	2.2	55.4	55.2	-0.4
Employee costs	5,130	5,497	5,533	7.9	0.7	14,060	16,145	14.8
% of sales	10.7	7.8	11.3	0.6	3.5	8.6	9.2	0.6
Other expenses	10,041	12,778	10,767	7.2	-15.7	34,972	36,170	3.4
% of sales	20.9	18.2	22.0	1.1	3.8	21.4	20.7	-0.7
EBITDA	11,511	19,988	11,474	-0.3	-42.6	41,310	44,101	6.8
EBITDA margin %	24.0	28.5	23.4	-0.5	-5.1	25.3	25.2	-0.1
Depreciation	2,566	3,062	3,076	19.9	0.5	6,866	8,863	29.1
EBIT	8,945	16,926	8,398	-6.1	-50.4	34,444	35,238	2.3
EBIT margin %	18.6	24.1	17.2	-1.5	-7.0	21.1	20.2	-0.9
Interest expense	1,185	365	452	-61.9	23.7	3,414	1,229	-64.0
Other income	243	772	1,480	510.4	91.8	766	2,532	230.5
PBT	8,002	17,332	9,426	17.8	-45.6	31,797	36,542	14.9
Tax	1,713	4,066	1,957	14.3	-51.9	7,702	8,695	12.9
Effective tax rate %	21.4	23.5	20.8	-0.6	-2.7	24.2	23.8	-1.8
Adj.PAT after Share of Assc & JV	6,196	13,170	7,412	19.6	-43.7	24,095	27,847	15.6
PAT margin %	12.9	18.8	15.1	2.2	-3.6	14.8	15.9	1.2

Source: Company, YES Sec

Exhibit 3: Quarterly snapshot (Standalone)

Particulars (Rs. Mn)	3QCY24	2QCY25	3QCY25	YoY (%)	QoQ (%)	9MCY24	9MCY25	YoY (%)
Net Sales	30,868	53,050	30,640	-0.7	-42.2	123,346	124,215	0.7
COGS	14,112	24,946	13,961	-1.1	-44.0	57,113	58,008	1.6
% of sales	45.7	47.0	45.6	-0.2	-1.5	46.3	46.7	0.4
Gross margin %	54.3	53.0	54.4	0.2	1.5	53.7	53.3	-0.4
Employee costs	3,048	3,304	3,030	-0.6	-8.3	9,004	9,408	4.5
% of sales	9.9	6.2	9.9	0.0	3.7	7.3	7.6	0.3
Other expenses	5,698	8,385	5,781	1.4	-31.1	23,622	22,413	-5.1
% of sales	18.5	15.8	18.9	0.4	3.1	19.2	18.0	-1.1
EBITDA	8,010	16,415	7,868	-1.8	-52.1	33,606	34,386	2.3
EBITDA margin %	25.9	30.9	25.7	-0.3	-5.3	27.2	27.7	0.4
Depreciation	1,573	1,801	1,720	9.4	-4.5	4,636	5,171	11.6
EBIT	6,437	14,614	6,148	-4.5	-57.9	28,970	29,215	0.8
EBIT margin %	20.9	27.5	20.1	-0.8	-7.5	23.5	23.5	0.0
Interest expense	986	37	79	-92.0	115.4	2,858	194	-93.2
Other income	1,002	900	1,497	49.4	66.3	2,000	2,995	49.7
PBT	6,452	15,477	7,565	17.3	-51.1	28,113	32,015	13.9
Tax	1,528	3,875	1,791	17.2	-53.8	6,994	6,296	-10.0
Effective tax rate %	23.7	25.0	23.7	0.0	-1.4	24.9	19.7	-5.2
Adjusted PAT	4,924	11,602	5,774	17.3	-50.2	21,119	24,156	14.4
PAT margin %	16.0	21.9	18.8	2.9	-3.0	17.1	19.4	2.3

Source: Company, YES Sec

ANALYST VIEW & INVESTMENT THESIS

1-year view

Changes to model, largely to bake in the near-term topline as well as margin pressure and increase in other income have led to no major change in our CY25E/CY26E/CY27E EPS.

In the very near-term, if there is no major weather impact on industry growth then it should lead to decent growth for the company in India business, well supported by strong international growth across geographies.

India business margins is likely to sustain in coming quarters led by efficiencies in freight costs, savings in power & fuel, etc. Capacity additions in International business is aiding growth in CY25 as base normalizes but margin profile in international will improve sharply over the next few years led by GT mix and backward integration.

VBL is currently trading at ~53x/44x/38x CY25E/CY26E/CY27E EPS as we build 20% earnings CAGR over CY24-27E. We have not yet baked-in, Africa's snacking business and the newly announced opportunity of alcoholic beverage distribution in Africa market, in our earnings.

We maintain our BUY rating with revised target price (TP) of Rs625 (Rs600 earlier), as we assign a target multiple of ~49x and roll forward to September'27E EPS.

3-year view

We expect VBL's revenue to grow at ~11% CAGR over CY24-CY27E led by: -

(1) Reach expansion to aid capacity utilization in India business: With the recent capacities already in place for the India business, VBL will not require any new capacities atleast for the next two years and can focus on improving the utilization levels. The current outlet reach in India for VBL is close to ~4mn outlets. Company aims to increase its overall reach by 300-400k outlets but because of unseasonal rains, the outlet expansion was lower in the near-term. Visi-cooler placements have also gone up by 50% versus last year and will continue to grow at the same pace. VBL has also formed a JV with Everest which will help placing visi-coolers in South and Western territories.

(2) New business additions in the international business: After BevCo (SA) and DRC, in International markets, Varun Beverages Morocco has commenced commercial production of PepsiCo's snacks product 'Cheetos'. It is also enhancing capacity in the South Africa market. The company is looking for new acquisitions and further expansion in the overseas market. Recently announced exclusive Distribution Agreement with Carlsberg Breweries A/S for their brand - Carlsberg for the Africa market will only add to the growth.

Margin profile for the company is already at strong levels. Over the next few years, EBITDA margin will be driven by scale, efficiencies, channel mix improvement and backward integration.

We maintain our positive view on VBL over the medium-term as we expect competitive intensity to come down and international business to support growth and margin improvement.

Exhibit 4: Key Monitorable Triggers

What to Watch	Why it Matters	Timeline
India business volume growth trend	Any improvement in India business volume trajectory will be seen as a sign of competitive intensity slowing down.	Over the course of next 1 year especially in next coming summer season
EBIDTA margins	In the current environment when topline is under pressure, sustainability of margin improvement driven by operational efficiencies and strong currency in international territories will be keenly monitored.	Over the near-term
New opportunities in International markets	Execution and scaling of new opportunities in the international markets will be key monitorable	Over the medium-term

Exhibit 5: Estimate Revisions

Metric	Old Est (CY27E)	New Est	% Change	Reason
Revenue	272,403	291,296	-6.5%	Unfavorable seasonality in near-term and increased competitive intensity is impacting near-term growth which has flow through to coming years
EBITDA	65,785	70,348	-6.5%	
APAT	44,651	45,867	-2.7%	

Source: Company, YES Sec

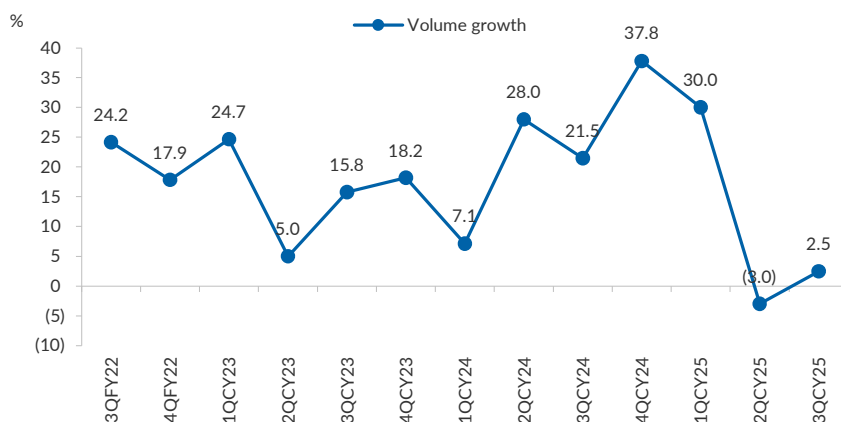
VBL 3QCY25 CONFERENCE CALL HIGHLIGHTS

- **Outlook:** No reason to not see double digit growth going forward in India if weather remains favourable.
- **Demand Environment:** Extended monsoon season impacted consumption trends in India.
- **New Business:** In Africa there is no restriction on Alco bev like India and beer can be distributed and supplied along with Soft drinks. Most of the outlets are allowed to sell beer. TAM of beer market is as big as soft drink market in Africa. Exclusive distribution agreement with Carlsberg Breweries A/S for their Carlsberg brand in certain African territories. This agreement is nothing to do with India. VBL will start with 1-2 countries (Southern part) in Africa and then scale up these markets which are currently largely white spaces, only small level of imports made. Africa does not have challenges like India does in terms of Alco-Bev distribution and go-to-market is also same, so VBL will test the market (through imports in very near-term) and go forward with it.
- **International markets** performance dragged by Zimbabwe because of Sugar tax, but from Sept. onwards grew in double digits. In DRC, the company made some error but rectified the same and now seeing 10% growth. Nepal and Sri Lanka will grow in same pace like India. South Africa grew in healthy double digits. Except DRC, rest all the markets are profitable. From this coming quarter or next quarter will revert to teens growth in international market.
- **South Africa (SA)** business grew in mid-double digits. In SA, VBL see further potential to strengthen market position and company continues to put in place building blocks to support sustained growth in the region.
- **Competition:** Rs10 is an affordable price point which will enhance the rural and semi-rural market. If there is a significant market share loss post the monsoon season, it might enter into Rs10 price point.
- **India business:** Nimbooz grew by ~50%. Value Added Dairy grew by ~100%. If weather was favourable the performance would have been much better.
- **Snacks business:** Snacks facility in Morocco has ramped up to full-scale operations, and the upcoming Zimbabwe plant is progressing towards commissioning, marking continued progress in diversifying our portfolio beyond beverages. The ARR of Foods segment is Rs3bn contributed entirely by Morocco. By Dec, Zimbabwe will also start to contribute.
- **Energy Drink:** The company has launched new energy drink priced at Rs60 called Adrenaline Rush (A Rush) launched in 4 cities.
- **Concentrate pricing:** If VBL selling price goes up, PepsiCo directly gets a share of it.

Varun Beverages Ltd.

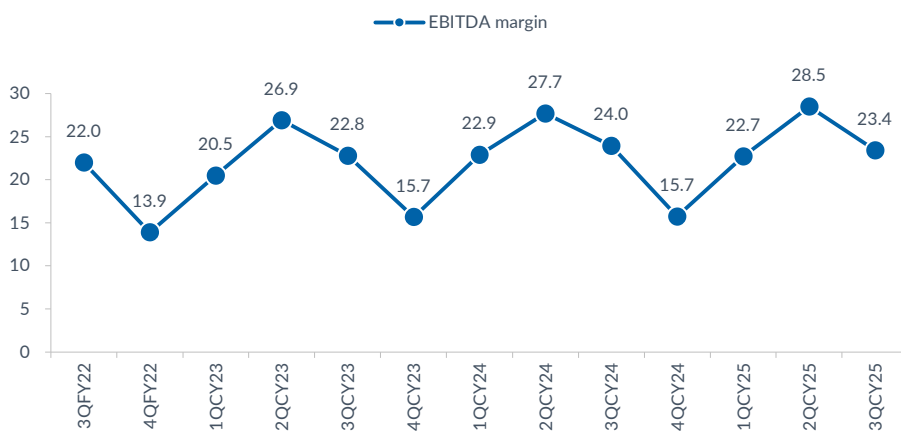
- **Other income:** The forex gain was Rs1bn vs negative Rs100mn in base quarter.
- **GST transition:** Every channel downsized its inventory levels, but not a big impact in Q2 for VBL since the cut was announced late on Sept. 1/4th of India portfolio benefitted from GST rationalization.
- **Others:** (1) VBL is always keen to re-franchise from PepsiCo's global operations if it makes business sense for VBL. (2) Company remains debt free at consol level. (3) VBL is always keen to re-franchise from PepsiCo's global operations if it makes business sense for VBL.

Exhibit 6: Overall volumes grew 2.5% YoY to 274mn cases in 3QCY25



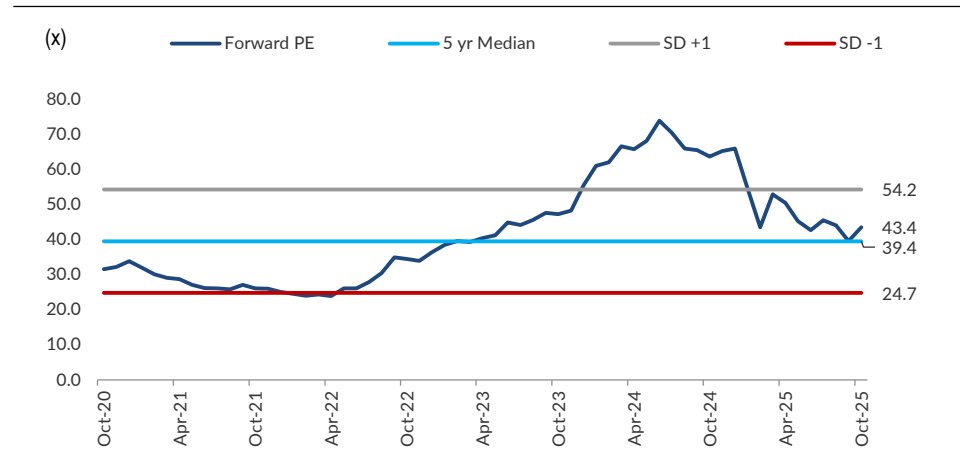
Source: Company, YES Sec

Exhibit 7: Consolidated EBITDA margin was down 50bps to 23.4% in 3QCY25



Source: Company, YES Sec

Exhibit 8: Currently trading at ~43x on 1yr fwd. earnings



Source: Company, YES Sec

FINANCIALS

Exhibit 9: Income statement

Income statement	CY22	CY23	CY24	CY25E	CY26E	CY27E
Net Sales	131,731	160,426	200,077	213,756	243,393	272,403
% growth	49.3	21.8	24.7	6.8	13.9	11.9
COGS	62,612	74,049	89,047	95,121	107,823	120,130
Gross Profits	69,120	86,377	111,029	118,634	135,570	152,274
Staff costs	12,166	14,466	18,850	21,269	23,609	26,423
Selling & Admin costs	1,398	1,964	2,521	2,779	3,286	3,677
Other expenses	27,675	33,852	42,547	44,194	50,626	56,388
Total Expenses	103,850	124,330	152,965	163,363	185,344	206,618
EBITDA	27,881	36,096	47,111	50,393	58,049	65,785
% growth	68.5	29.5	30.5	7.0	15.2	13.3
EBITDA margin	21.2	22.5	23.5	23.6	23.9	24.2
Depreciation	6,172	6,809	9,474	11,958	12,482	13,102
Other income	388	794	1,213	3,941	4,927	5,912
Interest cost	1,861	2,681	4,504	1,719	628	314
Profit before tax	20,236	27,399	34,346	40,657	49,865	58,281
Tax	4,735	6,375	7,988	9,148	11,619	13,579
Tax Rate	23.4	23.3	23.3	22.5	23.3	23.3
PAT	15,501	21,024	26,358	31,509	38,246	44,701
Adj. PAT	15,501	20,560	25,947	31,487	38,213	44,651
% growth	107.8	32.6	26.2	21.4	21.4	16.8
Adj PAT margin	11.8	12.8	13.0	14.7	15.7	16.4

Source: Company, YES Sec

Exhibit 10: Balance sheet

Balance sheet	CY22	CY23	CY24	CY25E	CY26E	CY27E
Equity capital	6,496	6,496	6,763	6,763	6,763	6,763
Reserves and surplus	44,528	62,869	159,335	177,296	195,220	219,582
Net worth	51,024	69,364	166,098	184,059	201,983	226,345
Minority Interest	1,131	1,482	1,298	1,298	1,298	1,298
Total Debt	36,948	51,943	23,643	7,618	3,809	1,904
Other LT liabilities	2,283	2,195	1,942	2,036	2,136	2,240
Total liabilities	91,622	126,962	196,551	198,582	212,797	235,359
Gross Block	103,075	124,902	185,103	191,979	201,979	211,979
Depreciation	37,163	43,972	53,446	65,404	77,886	90,989
Net Block	65,912	80,930	131,658	126,575	124,092	120,990
Capital work-in-progress	6,066	19,222	11,667	11,667	11,667	11,667
Goodwill	242	242	3,009	3,009	3,009	3,009
Net deferred tax	(3,368)	(3,430)	(4,879)	(4,879)	(4,879)	(4,879)
Other assets	6,709	5,833	5,347	5,614	5,895	6,189
Investments	0	211	534	534	534	534
Cash	2,853	4,599	24,500	30,032	44,192	65,734
Inventories	19,939	21,505	27,912	28,696	32,008	35,823
Debtors	2,993	3,594	8,458	7,028	6,668	7,463
Other current assets	8,540	12,517	17,304	19,623	22,098	24,898
Current Assets	31,472	37,616	53,675	55,347	60,774	68,184
Creditors	8,243	7,582	15,604	10,424	11,225	12,507
Other CL	10,021	10,677	13,355	18,893	21,263	23,563
Current Liabilities	18,264	18,259	28,959	29,317	32,489	36,070
Net Current Assets	13,208	19,357	24,715	26,029	28,286	32,114

Total Assets	91,622	126,963	196,552	198,582	212,797	235,359
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Source: Company, YES Sec

Exhibit 11: Cash flow statement

Cash flow statement	CY22	CY23	CY24	CY25E	CY26E	CY27E
PBT	20,236	27,398	34,346	40,635	49,832	58,231
Add: Depreciation	5,831	6,409	8,387	11,958	12,482	13,102
Add: Interest	1,626	2,443	397	1,719	628	314
Less: taxes paid	(3,733)	(6,679)	(7,276)	(9,148)	(11,619)	(13,579)
Add: other adjustments	(208)	1,072	4,650	(267)	(281)	(295)
Less: WC changes	(5,852)	(6,735)	(6,694)	(1,314)	(2,256)	(3,828)
Cash flow from operations	17,900	23,908	33,810	43,583	48,787	53,945
Capital expenditure	(17,499)	(31,939)	(37,403)	(31,000)	(10,000)	(10,000)
Net cash after capex	401	(8,031)	(3,594)	12,583	38,787	43,945
(Inc.)/Dec in investments	453	(959)	(5,763)	0	0	0
Cash flow from investing activities	(17,046)	(32,899)	(43,167)	(31,000)	(10,000)	(10,000)
Dividends paid	(1,624)	(2,273)	(3,248)	(13,526)	(20,289)	(20,289)
Others	1,444	12,122	32,784	(3,719)	(2,628)	(2,314)
Cash from financing activities	(180)	9,849	29,535	(17,245)	(22,918)	(22,603)
Opening cash balance	1,507	1,543	2,422	22,662	18,000	33,869
Closing cash balance	1,543	2,422	22,662	18,000	33,869	55,211
Change in cash balance	675	858	20,178	(4,662)	15,869	21,342

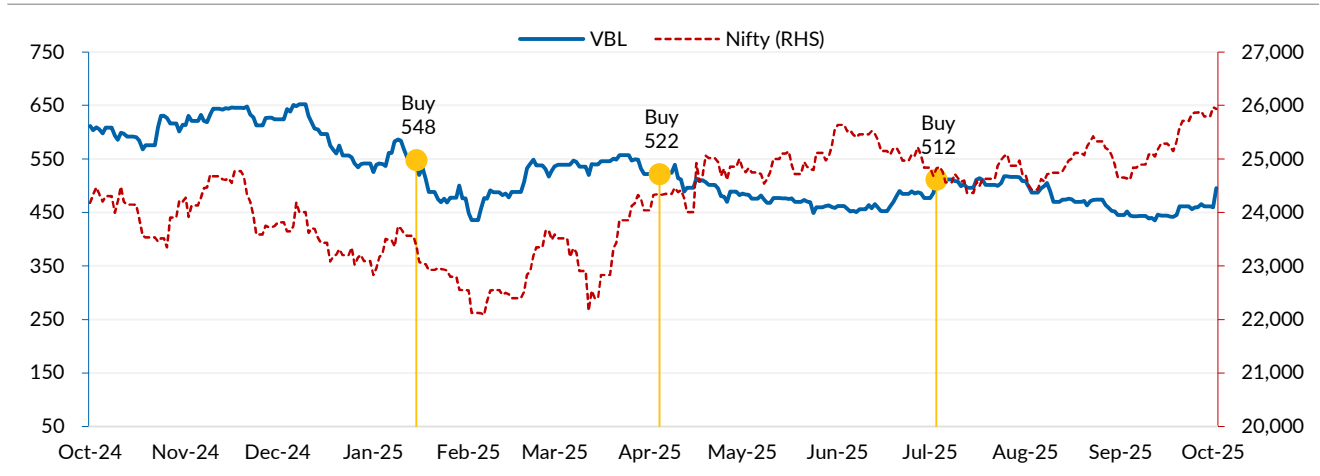
Source: Company, YES sec

Exhibit 12: Ratio analysis

Ratios (%)	CY21	CY22	CY23	CY24	CY25E	CY26E
Per share numbers (Rs)						
Reported earnings	23.9	15.8	7.7	9.3	11.3	13.2
Dividend	5.0	3.5	1.8	4.0	6.0	6.0
Book Value	176.7	53.4	49.1	54.4	59.7	66.9
Valuations (x)						
P/E	44.4	31.3	64.6	53.2	43.8	37.5
EV / EBITDA	25.9	19.1	35.5	32.8	28.2	24.5
P/Sales	5.2	4.0	8.4	7.8	6.9	6.2
Profitability Ratios						
Gross margin	52.5	53.8	55.5	55.5	55.7	55.9
EBITDA margin	21.2	22.5	23.5	23.6	23.9	24.2
PAT margin	11.8	12.8	13.0	14.7	15.7	16.4
Return Ratios						
ROCE (pre-tax)	26.1	27.5	24.0	21.4	24.5	26.1
RONW	33.8	34.9	22.4	18.0	19.8	20.9
Turnover ratios						
Total asset turnover ratio (x)	1.4	1.3	1.0	1.1	1.1	1.2
Fixed asset turnover ratio (x)	1.8	1.6	1.4	1.5	1.8	2.1
Debtors days	8	8	15	12	10	10
Inventory days	55	49	51	49	48	48
Payable days	48	37	64	40	38	38
NWC days	16	20	3	21	20	20

Source: Company, YES sec

Recommendation Tracker



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