

Varun Beverages (VBL) - ADD

Result Update

Current Market Price (CMP) Rs. 519	Fair Value (FV) Rs.540
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Rationale:

- VBL reported a strong quarter, with India beverages delivering 14.4%/12.7% /16% volume/value/EBITDA growth.
- Q1 print addresses key investor concerns around potential realization and margin drag.
- It appears that support from PepsiCo, GST 2.0 benefits.
- Operating efficiencies are more than offsetting these investments, enabling VBL to expand margins amid supportive weather conditions.
- The international business delivered strong performance, ahead of India.
- Margins likely to exceed expectations, supported by PepsiCo backing, operating leverage, state incentives and advance PET procurement.
- We expect earnings to grow 6.3% in CY26E and 12.6% in CY27E.
- We increase CY26- 28E EPS by 5-8% and raise FV to Rs540 (from Rs505), valuing VBL at 44X Jun-28E PE.

👍 Positives:

- VBL reported 18% yoy consolidated revenue growth to Rs6570 cr (7.5% beat).
- Growth led by 16.3% volume growth (KIE:10.6% yoy), taking volume to 363 mn cases (5% beat).
- India volume grew 14.4% yoy (KIE: 9% yoy) and international volumes grew 21.5% (KIE: 15%).
- Comfort on realizations and margins; eyeing a strong CY26E.

👎 Negatives:

- Realization pressure: realizations declined 1.6% in (versus 4% decline in 4Q).



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
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- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
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- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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