

Research Report

Varun Beverages



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About

Varun Beverages Ltd has been associated with PepsiCo since the 1990s and is a key player in beverage industry and one of the largest franchisee of PepsiCo in the world. The company produces and distributes a wide range of carbonated soft drinks, non-carbonated drinks and packaged water sold under trademarks owned by PepsiCo. PepsiCo brands produced and sold by the company include Pepsi, Seven-up, Mirinda Orange, Mountain Dew, Tropicana Juices and many more.

Key Brands

- **PepsiCo. franchised Brands** - Pepsi, Tropicana, Slice, 8UP, Sting, Kurkure, Aquafina, Lipton, Doritos, Mirinda, Fritolay etc.
- **Own Brands** - Jive, Cooe, Reboost, Creambell, Aquaclear, Refreshh etc.

Synopsis of Financials

- As of Q1FY25, their operations span 10 countries with franchise rights and 4 countries with distribution rights. In FY24, 3 territories in the Indian Subcontinent (India, Sri Lanka, Nepal) contributed ~83% to revenues; 3 territories in Africa (Morocco, Zambia, Zimbabwe) contributed to ~17% of total revenues.
- **Consolidation** - In March,24, they consolidated the franchised territories of South Africa, Lesotho & Eswatini and the territories with distribution rights in Namibia, Botswana, Mozambique and Madagascar.

Stock data (as 13th December 2024)

Nifty Price	: 24,730.80
52 week High (in Rs.)	: 683
52 week Low (in Rs.)	: 438
Market Cap. (in Crore)	: 2,16,819
NSE Code	: <u>VBL</u>

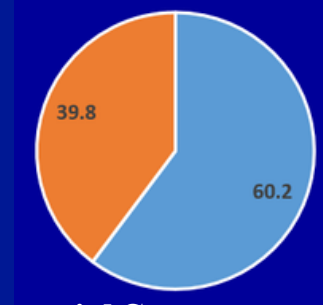
Stock data



-NIFTY50

-Varun Beverages Limited

Shareholding Pattern (September 2024)



-PUBLIC GROUP

-PROMOTER GROUP

Financial Summary

Particulars	Dec-21	Dec-22	Dec-23
Sales	8,823	13,173	16,043
Sales Growth %	36.79%	49.30%	21.78%
Expenses	7,129	10,310	12,326
Operating Profit	1,694	2,863	3,717
OPM %	19%	22%	23%
Net Profit	746	1,550	2,102
EPS in Rs	2.14	4.61	6.33

Quarterly Results

Particular	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
Sales	3,893	5,611	3,871	2,668	4,317	7,197	4,805
Expenses	3,095	4,101	2,989	2,249	3,329	5,206	3,654
Operating Profit	798	1,511	882	418	989	1,991	1,151
OPM %	20%	27%	23%	16%	23%	28%	24%
Other Income	10	42	19	9	8	44	24
Interest	63	69	62	74	94	129	119
Depreciation	172	172	171	166	188	242	257
Profit before tax	573	1,311	667	188	716	1,663	800
Tax %	24%	23%	23%	24%	23%	24%	21%
Net Profit	439	1,005	514	144	548	1,262	629

Source: Screener

Key Ratios

(₹ in million)

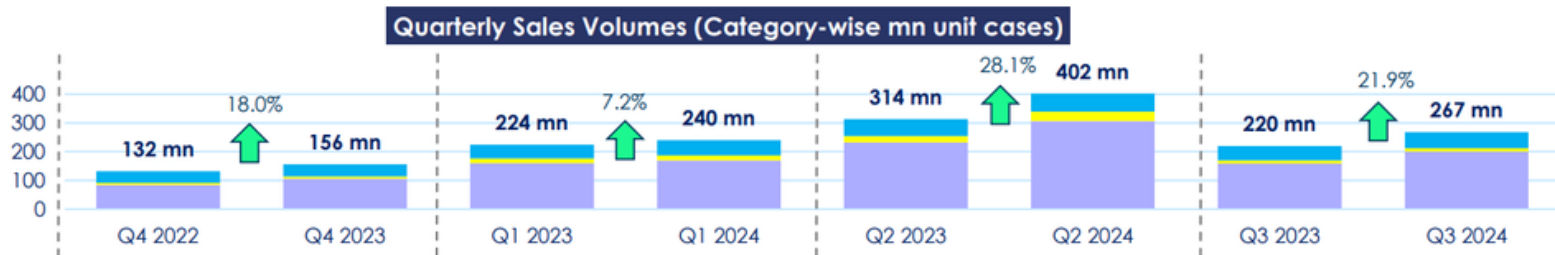
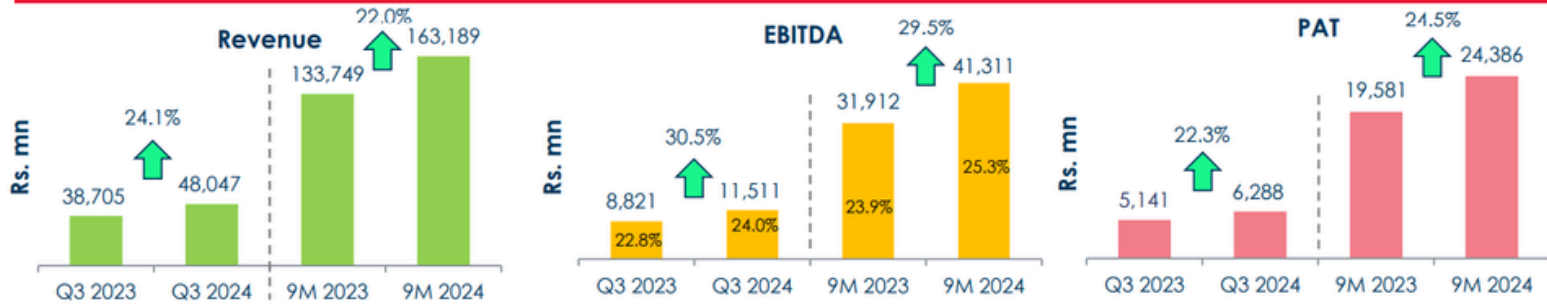
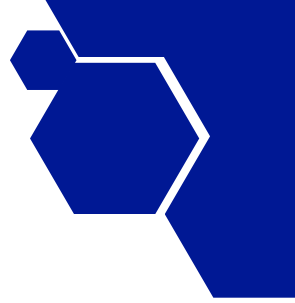
Ratio	Measurement unit	Numerator	Denominator	As at	As at	Change	Reason for variance if more than 25%
				31 December 2023	31 December 2022		
				Ratio	Ratio		
Current ratio	Times	Current assets	Current liabilities (inclusive of current maturities of long-term debts)	0.89	0.75	18.81%	Not applicable
Debt-equity ratio	Times	Total debt [Non-current borrowings + Current borrowings+Lease liabilities]	Total equity	0.69	0.65	5.89%	Not applicable
Debt service coverage ratio	Times	Earnings available for debt service [Profit/(loss) after tax + Depreciation and amortisation + impairment + finance cost + profit on sale of property, plant and equipment, investment + other non cash adjustments]	Debt service (interest and lease payments + principal repayments)	1.28	0.97	32.14%	Refer note below i
Return on equity ratio	Percentage	Net profit after tax	Average shareholder's equity [(opening shareholder's equity + closing shareholder's equity)/2]	28.19%	25.62%	10.04%	Not applicable

Source: Annual Report

Yearly Results

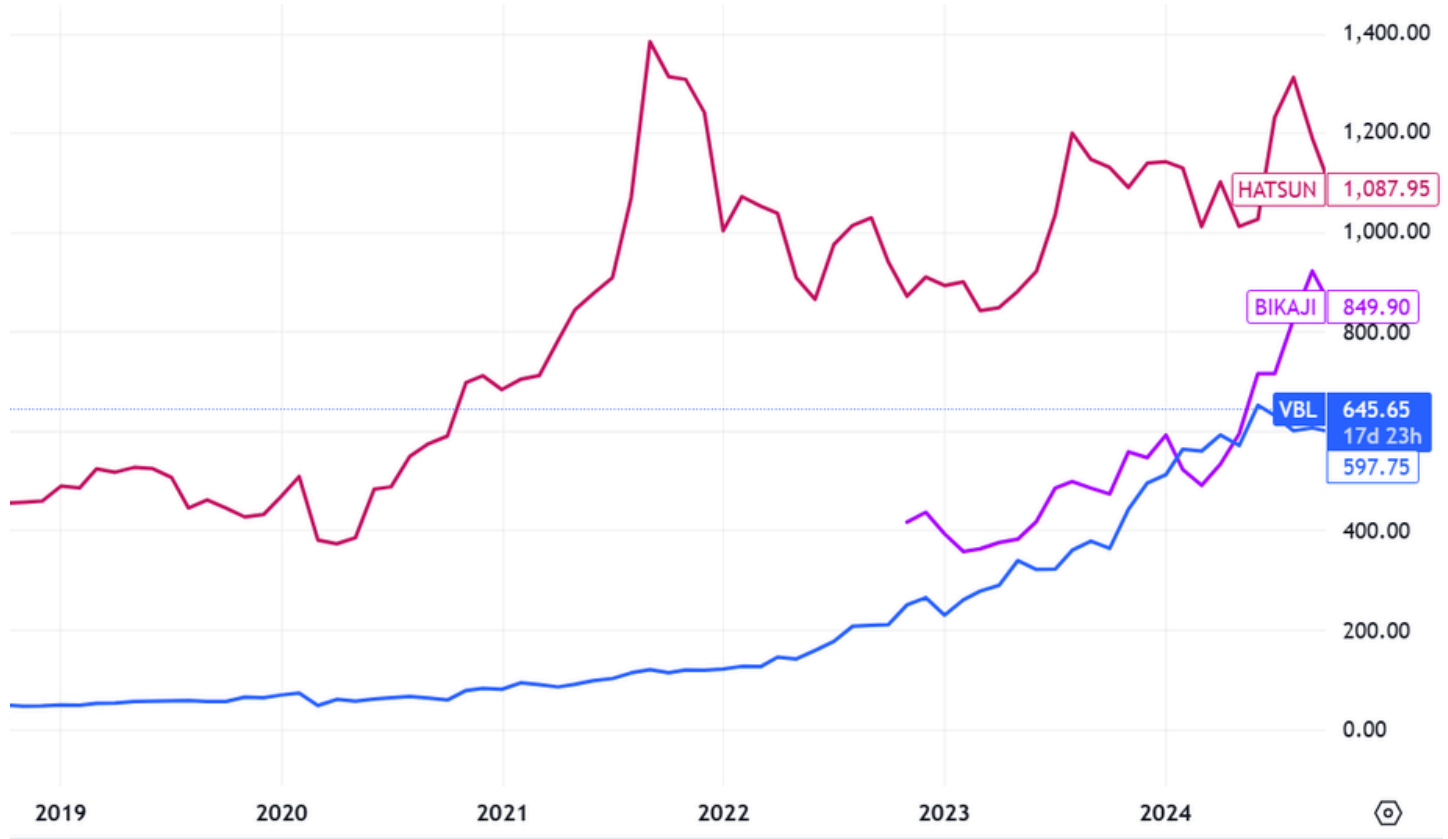
Particulars	March 2022	March 2023	March2024
Equity Capital	433	650	650
Reserves	3,647	4,453	6,287
Borrowings	3,387	3,884	5,431
Other Liabilities	2,113	2,632	2,819
Total Liabilities	9,579	11,618	15,187
Fixed Assets	6,311	6,932	8,409
CWIP	497	607	1,922
Investments	0	0	21
Other Assets	2,772	4,079	4,835
Total Assets	9,579	11,618	15,187

Highlights



Peer Comparison

Peer Stock Performance (5Y) Indexed



Source: Trading View

Peer Financial Performance

S.No.	Name	CMP Rs.	P/E	Mar Cap Rs.Cr.	Div Yld %	NP Qtr Rs.Cr.	Qtr Profit Var %	Sales Qtr Rs.Cr.	Qtr Sales Var %	ROCE %
1.	Varun Beverages	640.95	85.34	216819.44	0.15	628.82	23.66	4804.68	24.14	28.82
2.	Hatsun Agro	1065.00	77.96	23732.08	0.57	64.32	-17.08	2072.10	8.75	13.19
3.	Bikaji Foods	802.95	67.57	20117.43	0.12	72.08	17.57	713.25	19.31	29.65
4.	L T Foods	435.15	25.13	15116.01	0.34	150.61	-4.86	2107.79	6.57	21.09
5.	Zydus Wellness	2010.05	40.46	12706.53	0.25	20.90	166.10	492.90	12.05	5.33

Source: Screener

Final Outlook

VBL: BUY | LTP: 641

1. Revenue and Profit Growth:

Revenue has grown at a CAGR of 20.7% from ₹5,228 crore in FY18 to ₹13,391 crore in FY22.

Net profit increased at a faster CAGR of 38.9%, reaching ₹1,550 crore in FY22. This growth is driven by volume increases and operating leverage

2. Margins:

EBITDA margins improved to 21.2% in FY22 (from 19.7% in FY18).

Net profit margins also improved significantly, from 5.9% in FY18 to 11.8% in FY22

3. Leverage:

Debt-to-equity ratio improved from 1.3 in FY18 to 0.7 in FY22.

Interest coverage ratio rose to 15.19 times, reflecting better financial health

Varun Beverages is suitable for those seeking long-term capital appreciation rather than immediate returns. Its growth trajectory, operational efficiency, and strategic investments position it well for sustained performance in the beverage industry.

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