

# PICK OF THE WEEK

09<sup>th</sup> May, 2026

## Varun Beverages Ltd

Sector: FMCG

BUY

CMP

508

Target Price

560

Upside

10%

CMP as on 08<sup>th</sup> May, 2026 | Time horizon: 6-9 Months

### Why Varun Beverages Ltd

- A Key Global Beverages Player
- Second Largest PepsiCo Franchisee Globally

### About the Company

VBL is a key global beverage player and PepsiCo's second-largest franchisee worldwide (ex-US). It operates across 10 countries with distribution rights in four more, with India as the core market, contributing ~90% of PepsiCo's beverage volumes domestically. The expanding Africa-led international footprint reinforces VBL's strategic importance within PepsiCo's global network.

### Investment Rational

#### A. Volume-Led Growth

- In Q1CY26, consolidated volumes rose 16.3% YoY to 363 Mn cases, led by India (+14.4%), followed by international markets (+21.4%).
- Domestic demand remained strong in Q1, supported by distribution reach, execution, and capacity investments. Growth initiatives included pack upsizing, targeted price-point launches, and new products in the energy and juice segments. Further, the onset of the summer season will act as a strong demand catalyst for VBL.

#### B. Strategic Capacity Expansion to Drive Future Growth

- VBL continues to strengthen its growth platform through calibrated capacity expansion. Four new greenfield plants have been commissioned in high-growth regions, alongside brownfield additions across key locations to improve scale and logistics efficiency.
- Internationally, the company expanded its portfolio, with snacks scaling in Morocco and gaining traction in Zimbabwe and Zambia. In South Africa, the acquisition of Twizza has been fully completed, and the company has entered into an agreement to acquire Crickley Dairy via BevCo. Further, focus remains on scaling snacks and deepening presence in high-growth markets.

## C. Beer Pilot Adds a New Growth Lever

- VBL plans to pilot Carlsberg in Southern Africa under an exclusive distribution tie-up, leveraging its existing infrastructure and favourable regulations.
- The low-capex, test-and-learn approach supports portfolio diversification and strengthens presence in key growth markets.

## Outlook & Valuation

- VBL remains well positioned to sustain strong growth, supported by the BevCo acquisition in South Africa and DRC, expansion of its snacks business in Africa, deeper rural penetration, and ongoing capacity additions. Further, scaling high-margin brands like Sting and sharpening focus on value-added beverages are expected to drive steady revenue and margin expansion.
- We expect Revenue/EBITDA/PAT to grow at 23%/26%/30% CAGR over CY25-28E.

**Valuation:** Trading at 38x Mar'28E EPS

## Analyst Insights

We recommend a **BUY** with a target price of Rs 560/share, implying an upside of 10% from the CMP.

### Research Analyst

Suhanee Shome

Research Associate

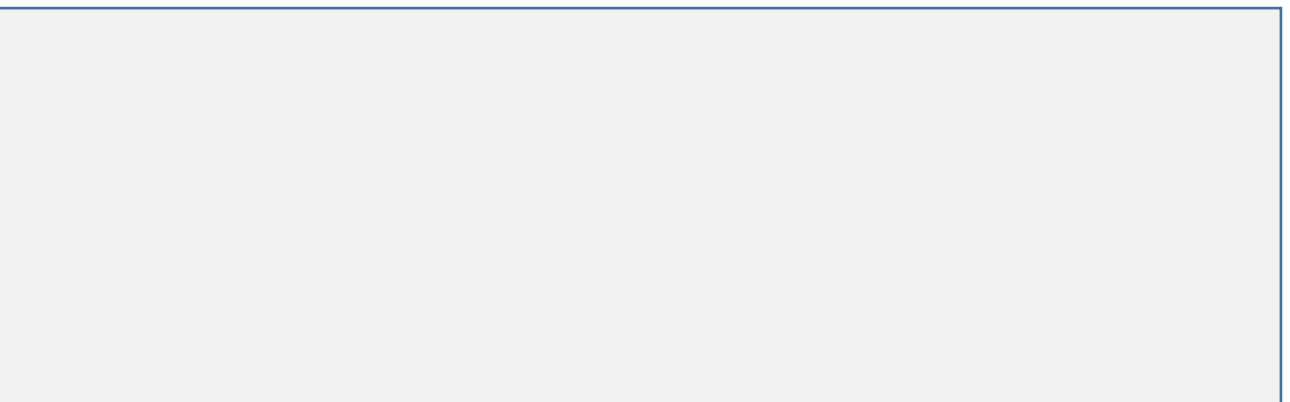
[Suhanee.shome@axissecurities.in](mailto:Suhanee.shome@axissecurities.in)

## Financial Summary

	<b>CY25</b>	<b>CY26E</b>	<b>CY27E</b>
Net Sales (Rs Cr)	21,685	26,215	32,481
EBITDA (Rs Cr)	5,049	6,421	8,071
PAT (Rs Cr)	3,036	4,056	5,271
EPS (Rs)	9	12	15.6
PER (x)	56	42.3	32.6
EV/EBITDA (x)	34	26.3	20.5
ROE (%)	8.8	7.5	6.3
ROCE(%)	16.1	17.9	19.9

## Market Data

<b>No. of Shares</b>	<b>338.23 Cr</b>
Market Cap (Rs Cr)	1,72,716
52-week High	534.65
52-week Low	381.00
P/E (x)	53
BSE Code	540180
NSE Code	VBL



Axis Direct is a brand under which Axis Securities Limited offers its retail broking and investment services. Investments in the securities market are subject to market risks. Read all the related documents carefully before investing. This information is only for consumption by the client and such material should not be redistributed. [Disclaimer](#)