AMBIT
Acumen at work
Institutional Equities

Varun Beverages
BUY

INITIATING COVERAGE	VBL IN EQUITY	March 30, 2026

Bottling the right ingredients

Varun Beverages Ltd. (VBL) is evolving from a regional bottler into a diversified global F&B compounder. In India, its manufacturing and distribution moats protect against share losses arising from price aggression of Campa Cola. Internationally, VBL is building a pan-African FMCG network – replicating its India playbook across South Africa, Morocco and Zimbabwe, while expanding into snacks and AlcoBev optionality – to drive profitability. Beyond CY28E, low per capita consumption would support 10%+ industry growth, with gradual market share gains. The trajectory mirrors LATAM bottlers (KOF/ARCA/Andina) that scaled via distribution, geography and portfolio expansion in the last 25 years. Initiate with BUY and a DCF-based TP of ₹501 (41x CY27E EPS). Prefer Spirits > Consumer Staples > Beer > Paints.

Competitive position: STRONG Changes to this position: NEGATIVE

From bottler to F&B powerhouse…

As Indian consumption shifts toward F&B, VBL is well-positioned to capture the soft drink market's 10%+ volume CAGR over the next decade, supported by low per-capita consumption & scalable manufacturing. Following a 24%/40% revenue /PAT CAGR (CY17–25), growth will be driven by pan-India consolidation and pan-Africa scale-up across beverages, snacks and AlcoBev optionality. We forecast a 9%/22% India/International CY25-28E sales CAGR and India business would anchor c59% of consolidated sales in CY28E vs 67% in CY25.

From Duopoly to Diversity, navigating an overblown competition

While Campa Cola disrupted the historical beverage duopoly, the resulting 3-player market is still more profitable and attractive than the fragmented traditional FMCG categories. VBL is insulated by its portfolio mix to an extent; Campa's core cola focus leaves 80% of VBL's portfolio (high-margin energy (Sting) & other segments) unchallenged. Expect ~10% India volume CAGR (CY25-28).

Capital moat to margin leadership

VBL's capital moat: strong visi-cooler density, a decentralized 38-plant network that creates cost-to-serve advantage, positions it for multi-year EBITDA accretion. VBL secures a margin premium over domestic (11-15% EBITDA margin) and LatAm (18-22%) peers. Replicating its India playbook in international markets should support 14% CY25-28 EBITDA CAGR as VBL navigates input cost headwinds and heavy discounting in India in CY26.

Built to scale; initiate with BUY

Mirroring the LATAM bottlers' growth playbook (see pages 36-39), built on distribution scale, geographic expansion, and portfolio diversification, VBL is transitioning into a global FMCG compounder. Our DCF-based TP of ₹501 builds in 11%/13% CY26-46E sales/FCF CAGR and an implied P/E of 49x/41x on CY26E/27E EPS. Risks to our thesis: Inflation in key input costs and irrational competitive pricing.

Key Financials

Year to December (₹ mn)	CY24	CY25	CY26E	CY27E	CY28E
Revenue	200,077	216,854	249,272	282,731	318,064
-growth (Rev)	24.7%	8.4%	14.9%	13.4%	12.5%
EBITDA margin	23.5%	23.3%	22.7%	23.0%	23.4%
EPS (basic) (₹)	7.8	9.1	10.2	12.2	14.4

Source: Company, Ambit Capital research

Consumer Staples

Recommendation

Mcap (bn):	₹1,317/US$13.9
6M ADV (mn):	₹5.4/US$0.1
CMP:	₹389
TP (12 Mths):	₹501
Upside (%):	29

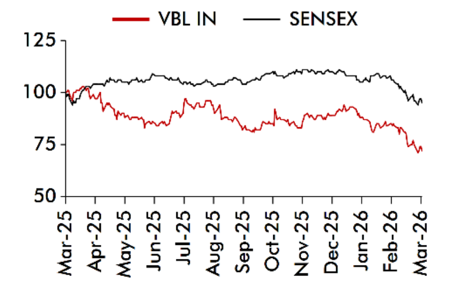
Flags

Accounting:	GREEN
Predictability:	AMBER
Earnings Momentum:	AMBER

Catalysts

- 14% YoY volume growth in CY26E led by 10% in India and 24% in international business.
- A 20bps margin improvement due to South Africa integration.

Performance



Source: ICE, Ambit Capital Research

F&B: Food & Beverages; LATAM: Latin America; KOF: Coca Cola FEMSA

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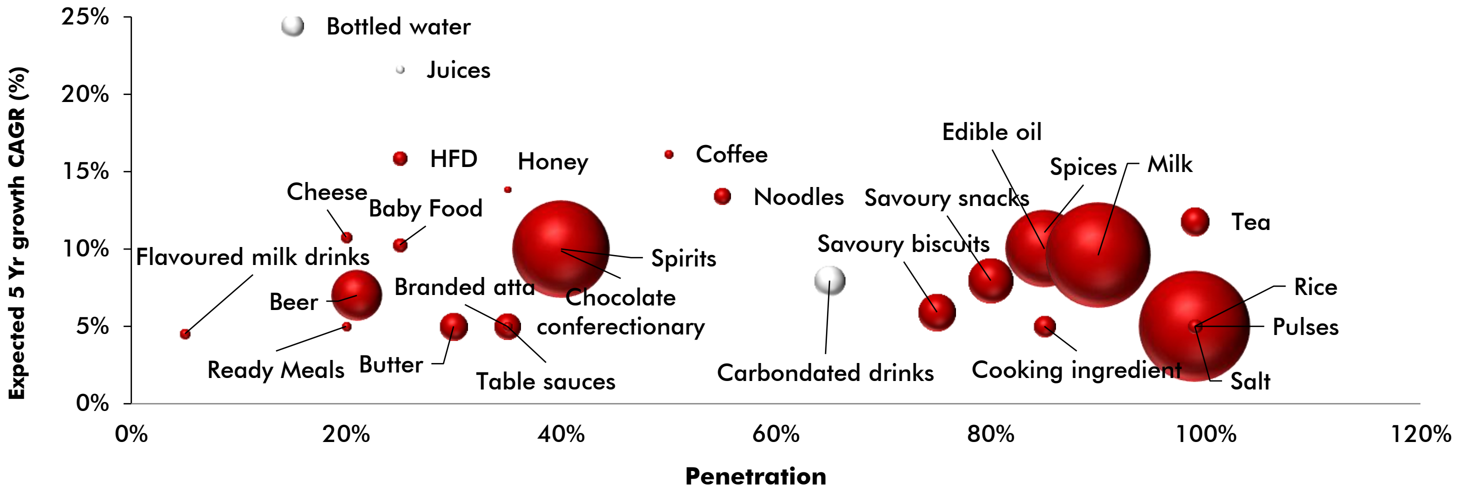
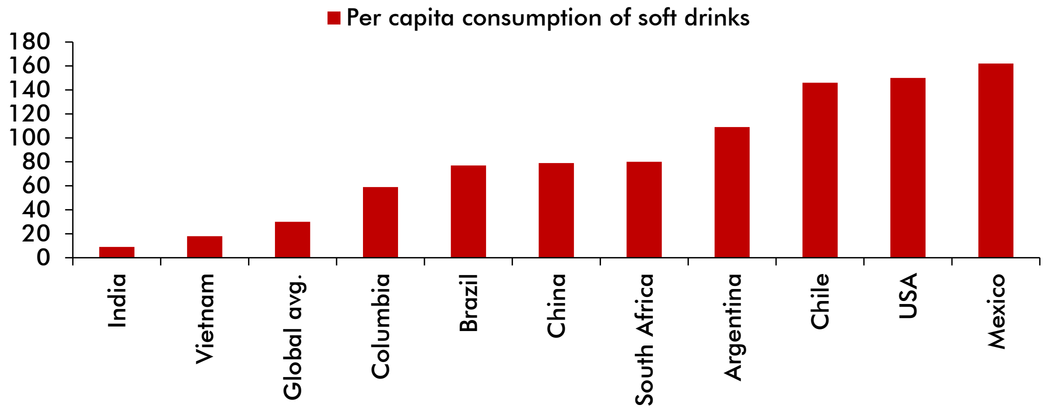
Narrative in charts

Exhibit 1: Ample growth headroom in beverage supported by low per capita consumption and larger share of the unorganised



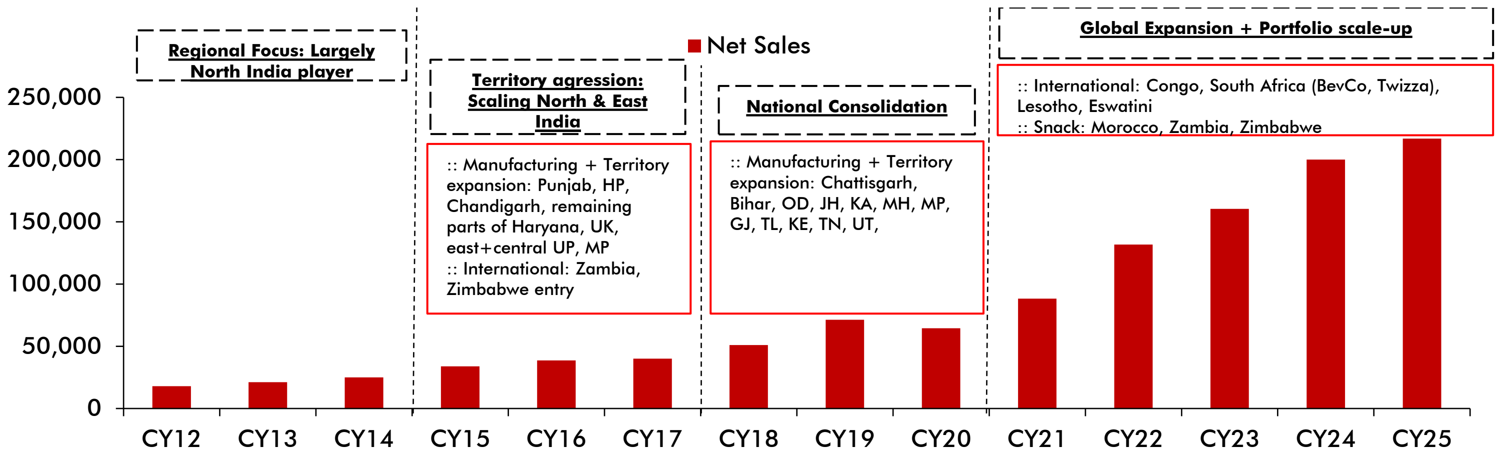
Source: Company, Ambit Capital research, Industry

Exhibit 2: India's CSD per capita consumption is much lower than that of other countries



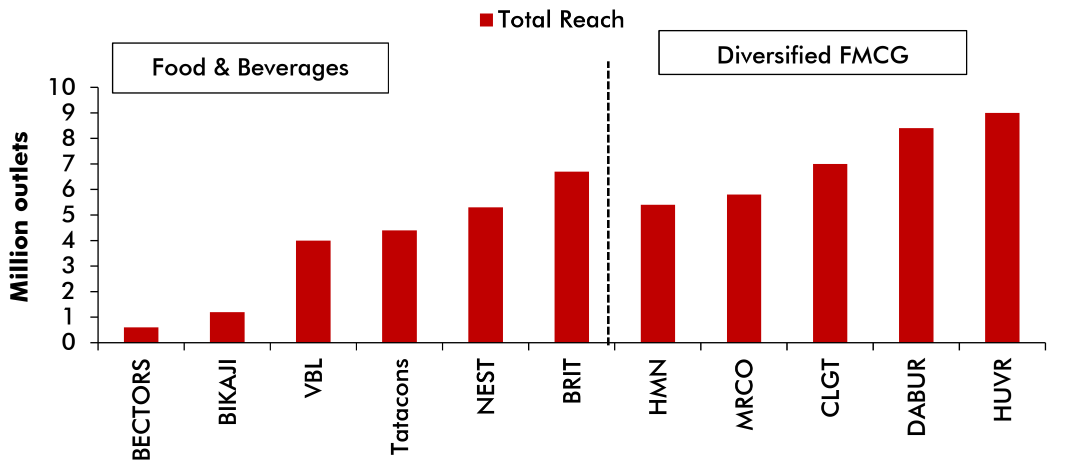
Source: Company, Ambit Capital research

Exhibit 3: VBL has evolved from being largely a North India-based bottler in CY15 to a global diversified F&B company



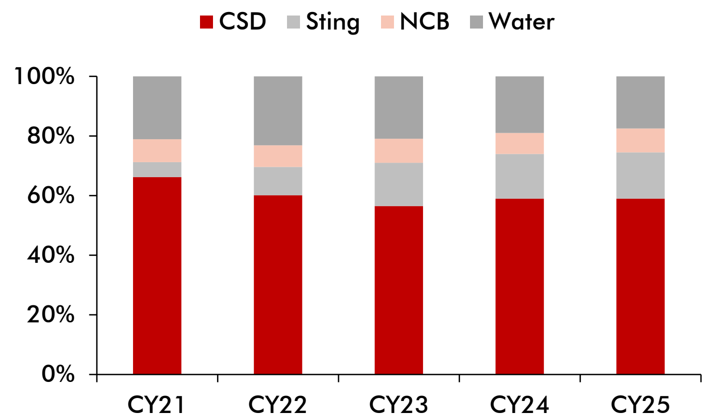
Source: Company, Ambit Capital research; HP: Himachal Pradesh, UK: Uttarakhand, UP: Uttar Pradesh, MP: Madhya Pradesh, OD: Odhisha, JH: Jharkhand, KA: Karnataka, MH: Maharashtra, GJ: Gujarat, TL: Telangana, KE: Kerala, TN: Tamil Nadu, UT: Union territories of Daman & Diu, Dadra & Nagar Haveli, Andaman & Nicobar islands, Lakshwadeep, Puducherry except Yanam

Exhibit 4: VBL has ample distribution headroom, evident from the lag in distribution reach vs other large F&B players



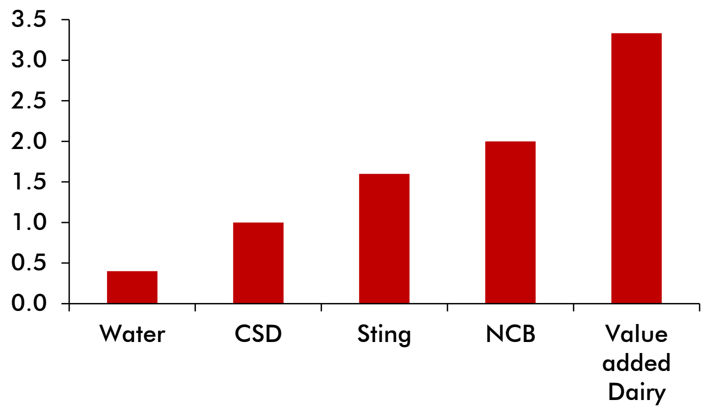
Source: Company, Ambit Capital research, Industry

Exhibit 5: Core CSD mix has declined & pivoted towards…



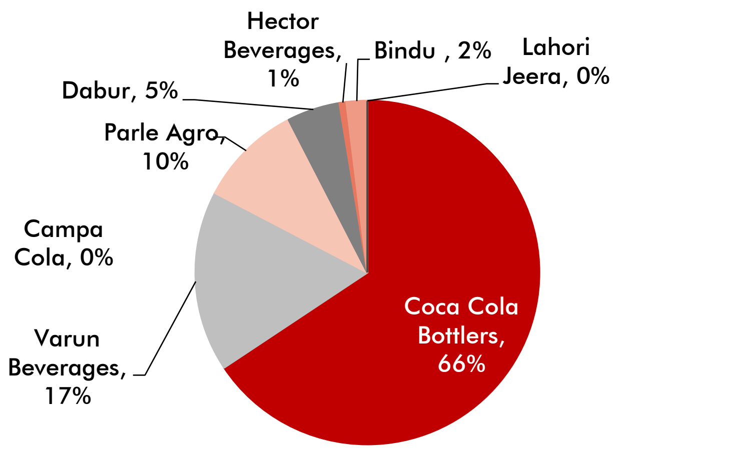
Source: Company, Ambit Capital research. Industry

Exhibit 6: …higher-realization Sting + NCB



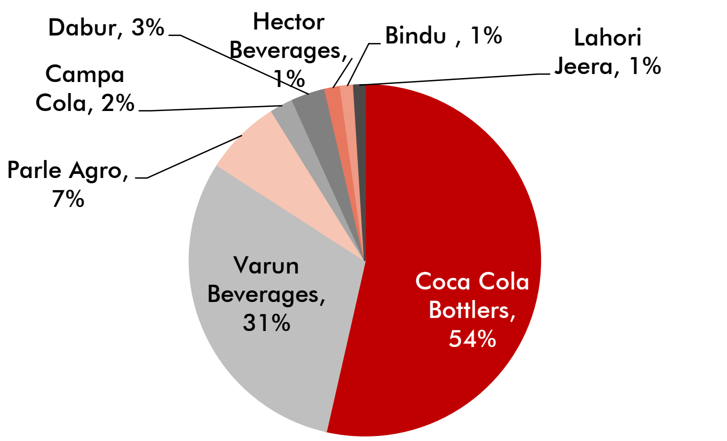
Source: Company, Ambit Capital research, Industry

Exhibit 7: VBL + regional players…



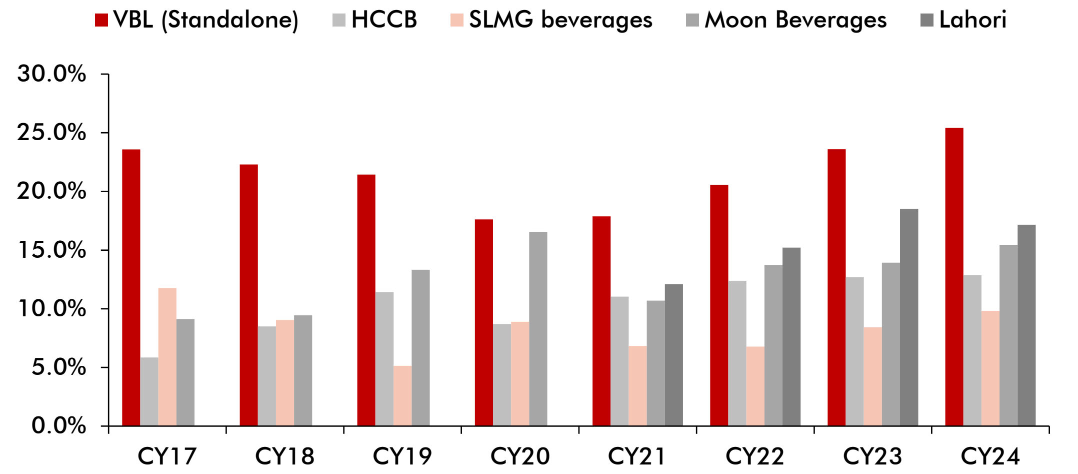
Source: Company, MCA, Ambit Capital research; Share is between players mentioned above: Coca-Cola includes HCCB, Moon Beverages, SLMG, Kandhari, Diamond beverages, Bengal beverages, Ludhiana beverages, Superior drinks, Wave beverages

Exhibit 8: …have scaled up in the past 7 years



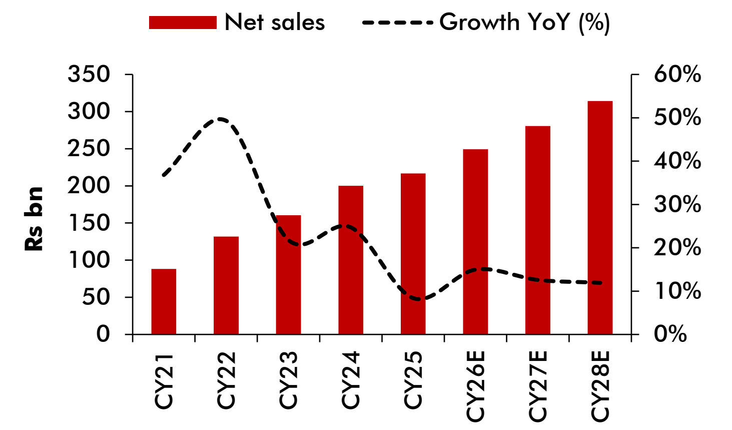
Source: Company, MCA, Ambit Capital research; Share is between players mentioned above: Coca-Cola includes HCCB, Moon Beverages, SLMG, Kandhari, Diamond beverages, Bengal beverages, Ludhiana beverages, Superior drinks, Wave beverages

Exhibit 9: VBL's India business has a superior EBITDA margin vs Coca-Cola bottlers and other Indian brands



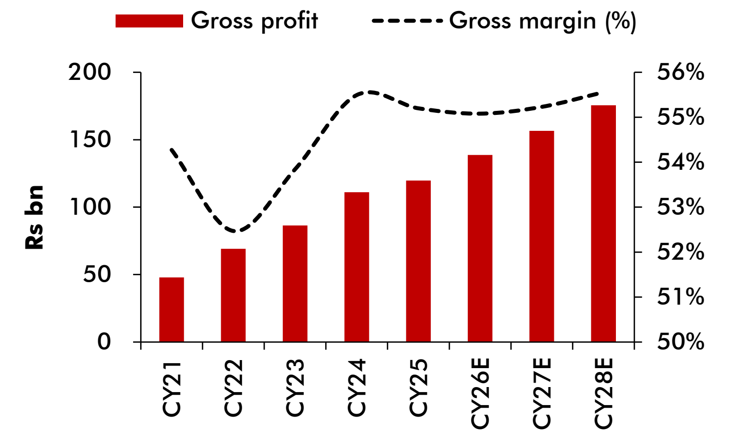
Source: Company, Ambit Capital research, MCA

Exhibit 10: Sales to grow at a 14% CAGR over CY25-28E...



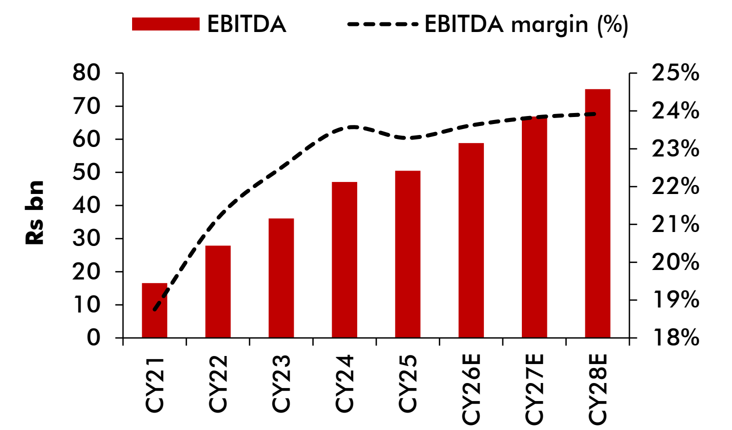
Source: Company, Ambit Capital research

Exhibit 11: ...with a steady GM profile



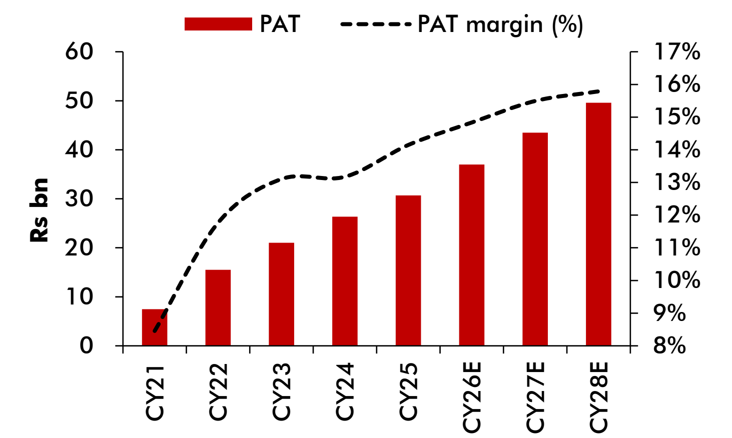
Source: Company, Ambit Capital research

Exhibit 12: ...EBITDA margin expansion would be capped due to higher variable expenses...



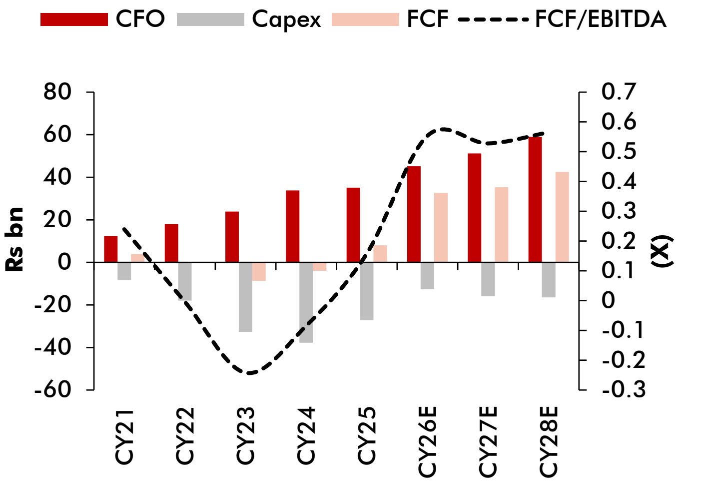
Source: Company, Ambit Capital research

Exhibit 13: ...PAT flow-through to be aided by lower interest costs...



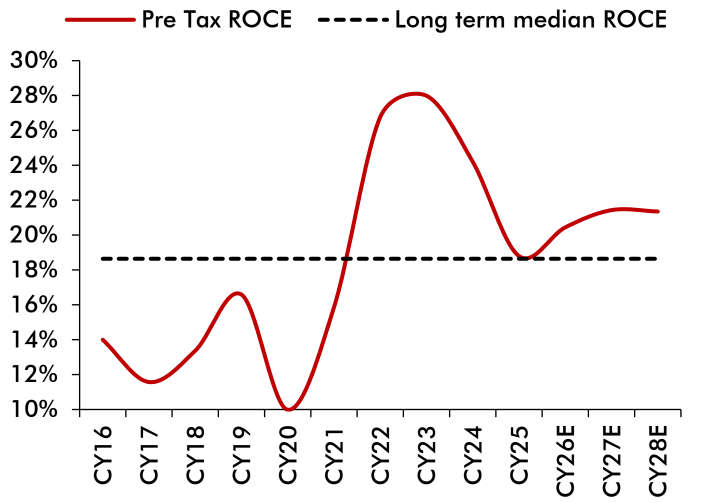
Source: Company, Ambit Capital research

Exhibit 14: FCF generation accelerates as plants' capacity scales up 50%+



Source: Company, Ambit Capital research

Exhibit 15: ROCE to improve as VBL sweats plant

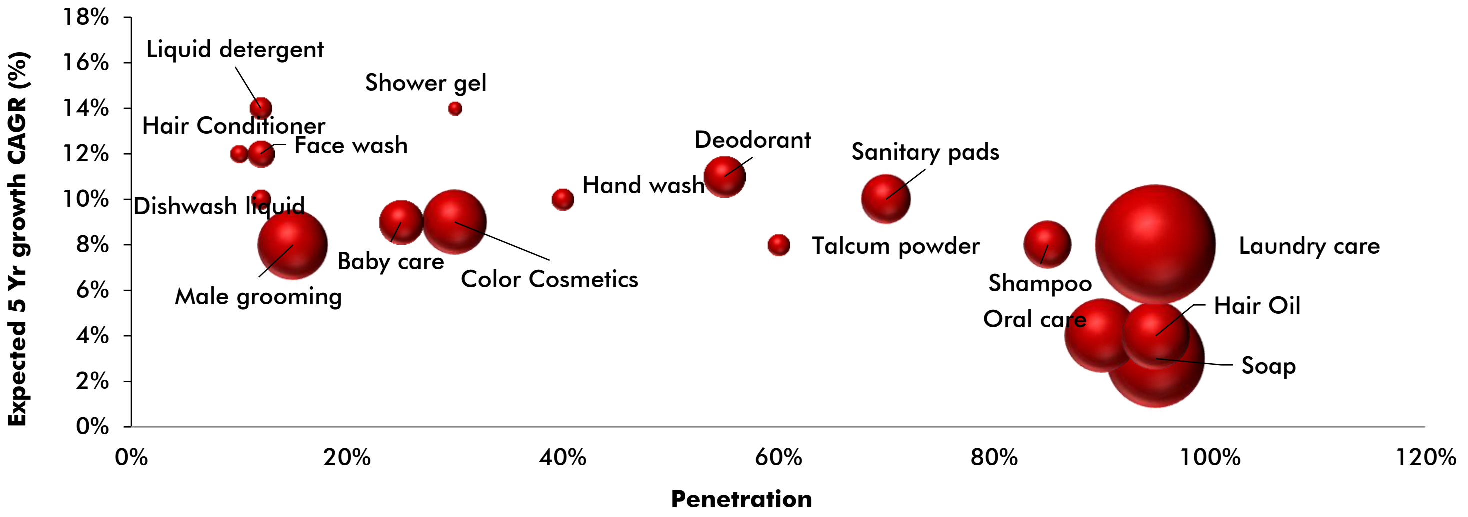


Source: Company, Ambit Capital research

VBL at the heart of India's beverage expansion

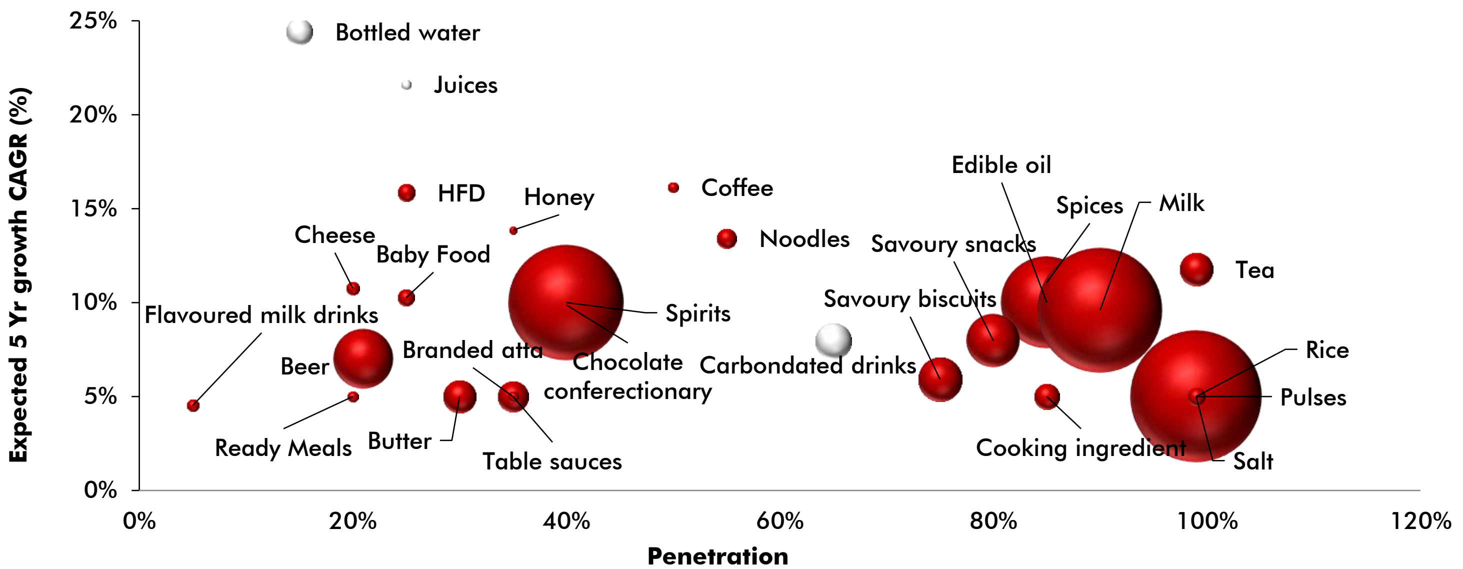
Investment narrative for Indian consumption was dominated by broader Beauty, Personal Care and Homecare with large categories such as soaps, hair oil, oral care and detergents—segments that offered high margins and stable return ratios but have now reached a state of relative volume saturation, with penetration levels now exceeding 90%+ for most large categories. The emerging frontier of growth resides in the F&B space, which is expected to outpace the broader sector with a projected 12-14% revenue CAGR over the next decade, compared to 6-8% for the larger HPC categories, which also face higher fragmentation than F&B players.

Exhibit 16: Larger home and personal care categories are saturated and offer lower growth of 6-8%



Source: Company, Ambit Capital research, Industry

Exhibit 17: Ample growth headroom in the beverage sector is supported by low per capita consumption and a larger share of the unorganised

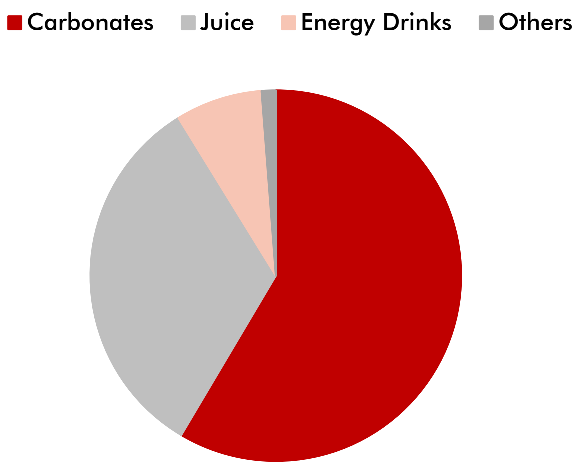


Source: Company, Ambit Capital research, Industry

Beverage oligopoly: Volume-led growth + structural moats

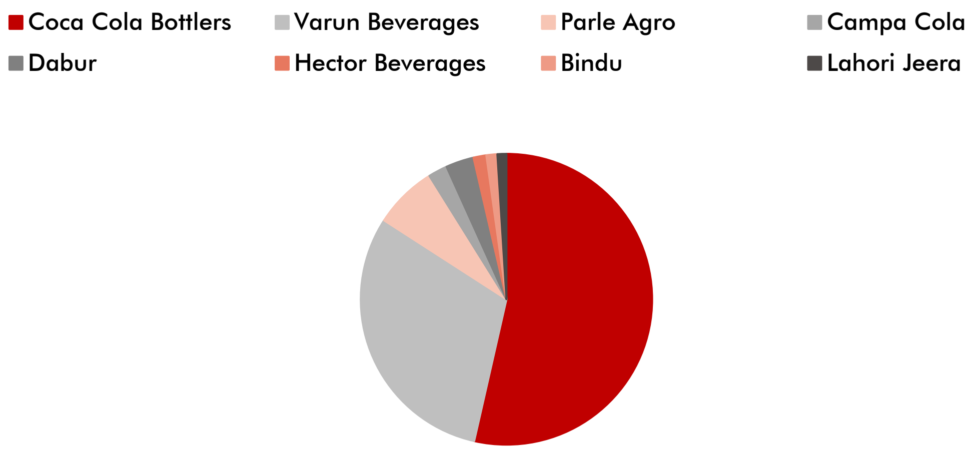
Within the F&B universe, the beverages segment offers a compelling volume-led growth opportunity for the next decade, supported by structurally low penetration. The 2,000mn cases (1 case = 24 bottles of 237ml each = 5.672 litres) Indian soft drink market (ex-water) operates as a concentrated oligopoly, evidenced by Herfindahl-Hirschman Index (HHI) of ~3,300 and a four-firm concentration ratio (CR4) of 88%. Formidable barriers to entry—capital-intensive manufacturing and entrenched last-mile distribution network—structurally lock out smaller entrants. Thus, incumbents benefit from economies of scale and avoid value-destructive price wars, favouring non-price competition. This equilibrium provides established players with economic moats, predictable cash flows, and stable margin profiles.

Exhibit 18: Carbonates still form the majority of the Indian beverage category (excluding water) by volume



Source: Company, Ambit Capital research, Industry

Exhibit 19: VBL competes directly with Coca-Cola in a largely duopoly market in India and across other countries

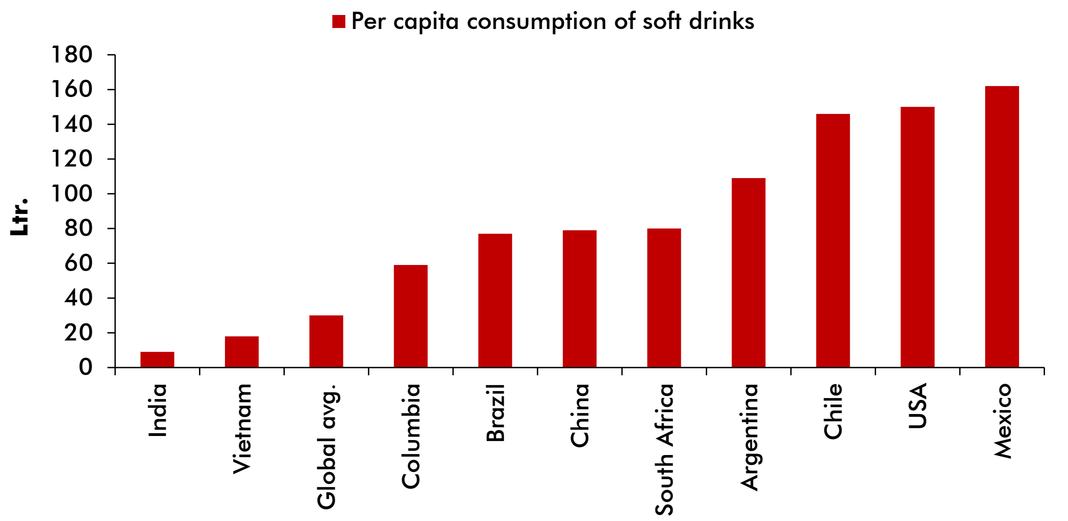


Source: Company, MCA, Ambit Capital research; Share is between players mentioned above: Coca-Cola includes HCCB, Moon Beverages, SLMG, Kandhari, Diamond beverages, Bengal beverages, Ludhiana beverages, Superior drinks, Wave beverages

Under penetration to drive decade-long 10%+ volume growth

The Indian soft drinks market remains underpenetrated compared with most developed and emerging markets and is expected to grow at 12% CAGR over the next decade, largely driven by volume expansion. Per-capita consumption of soft drinks in India remains among the lowest globally due to factors such as a strong preference for traditional beverages, lower disposable incomes in rural areas, historical gaps in electrification, and last-mile distribution challenges that have limited deep rural penetration.

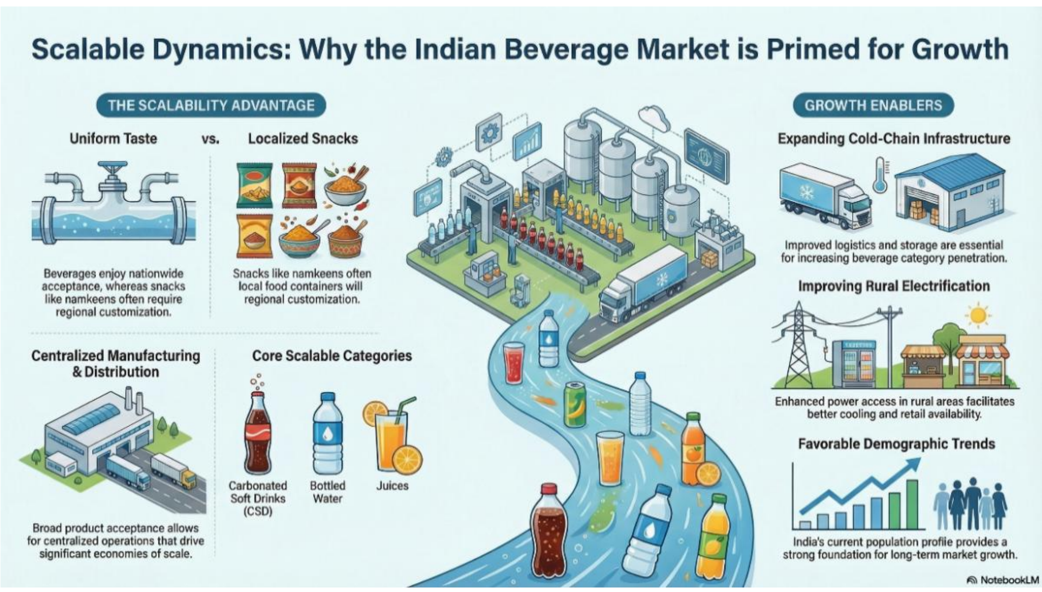
Exhibit 20: CSD Per capita consumption in India remains significantly lower vs other countries



Source: Company, Ambit Capital research, Industry

Beverage categories such as Carbonated Soft Drinks (CSD), bottled water, juices and other non-carbonated drinks (NCB) are inherently scalable given their relative uniformity across regional tastes. Unlike snack categories such as namkeens that require localized offerings, beverage brands tend to have broad nationwide acceptance, enabling centralized manufacturing and distribution and driving economies of scale. Favourable demographics, improving rural electrification, and expanding cold-chain infrastructure are likely to support further category penetration.

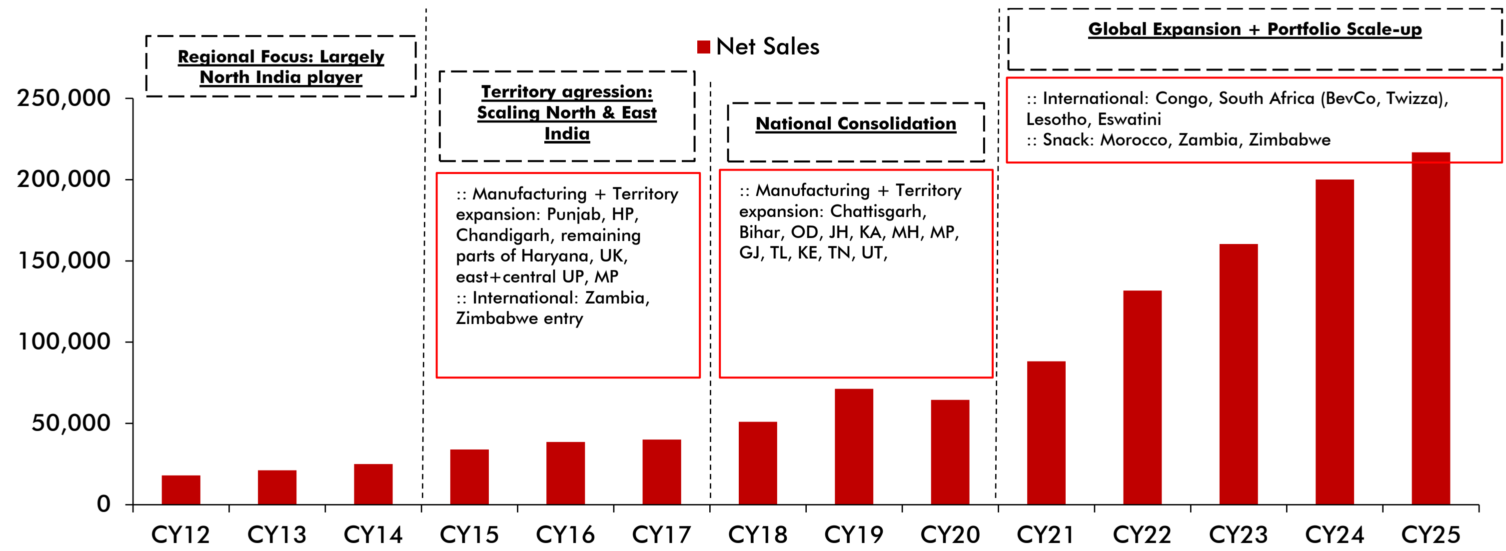
Exhibit 21: The Indian beverage market has scalable dynamics and is set for decadal 10%+ growth



Source: Company, Ambit Capital research

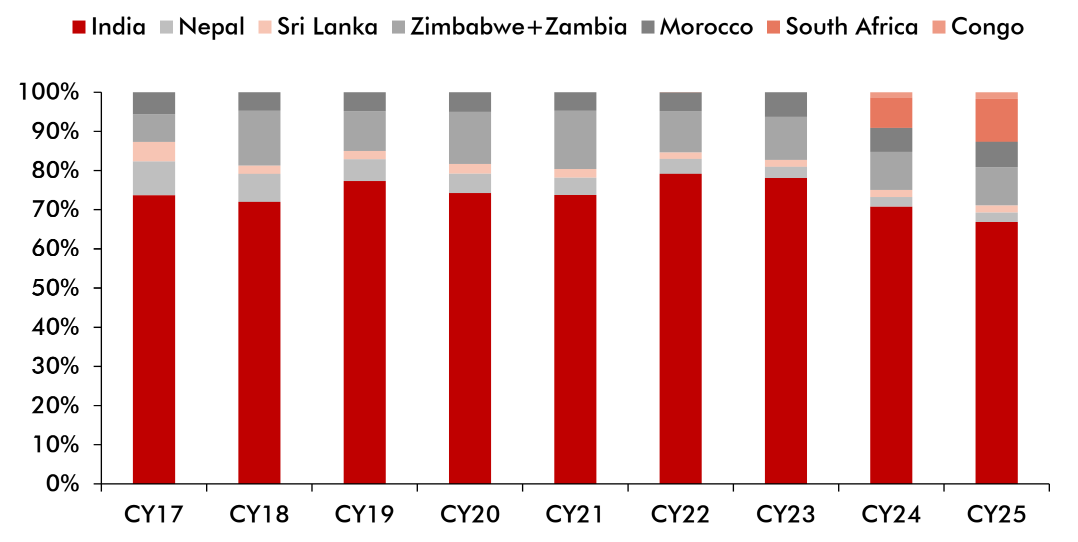
At the heart of this transition is VBL, the 2nd largest bottling partner for PepsiCo globally outside the USA. VBL has evolved from a regional northern Indian player into a multi-national beverage powerhouse, controlling 90% of PepsiCo's Indian volumes and establishing a dominant footprint across emerging markets in Africa and the Indian subcontinent.

Exhibit 22: VBL has evolved from being largely a North India based bottler in CY15 to a global diversified F&B company



Source: Company, Ambit Capital research; HP: Himachal Pradesh, UK: Uttarakhand, UP: Uttar Pradesh, MP: Madhya Pradesh, OD: Odhisha, JH: Jharkhand, KA: Karnataka, MH: Maharashtra, GJ: Gujarat, TL: Telangana, KE: Kerala, TN: Tamil Nadu, UT: Union territories of Daman & Diu, Dadra & Nagar Haveli, Andaman & Nicobar islands, Lakshwadeep, Puducherry except Yanam

Exhibit 23: VBL has a diversified presence across countries…



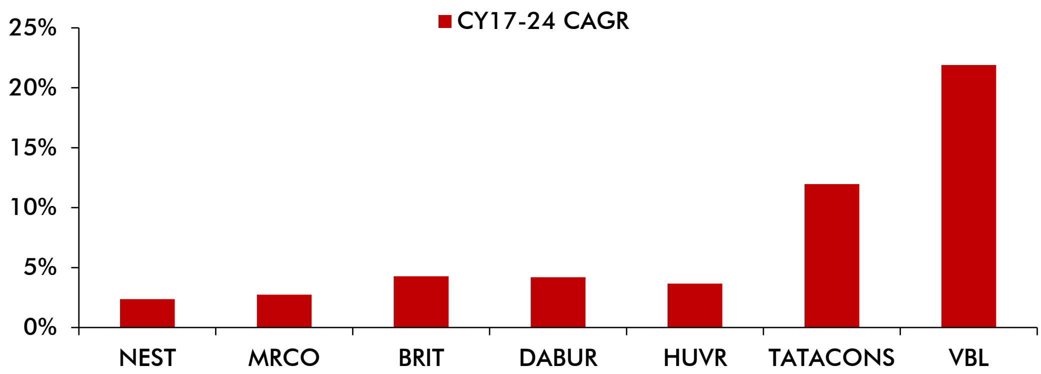
Source: Company, Ambit Capital research

Exhibit 24: ...and across categories, making it well placed to cater to a larger TAM

Source: Company, Ambit Capital research; TAM: Total Addressable Market

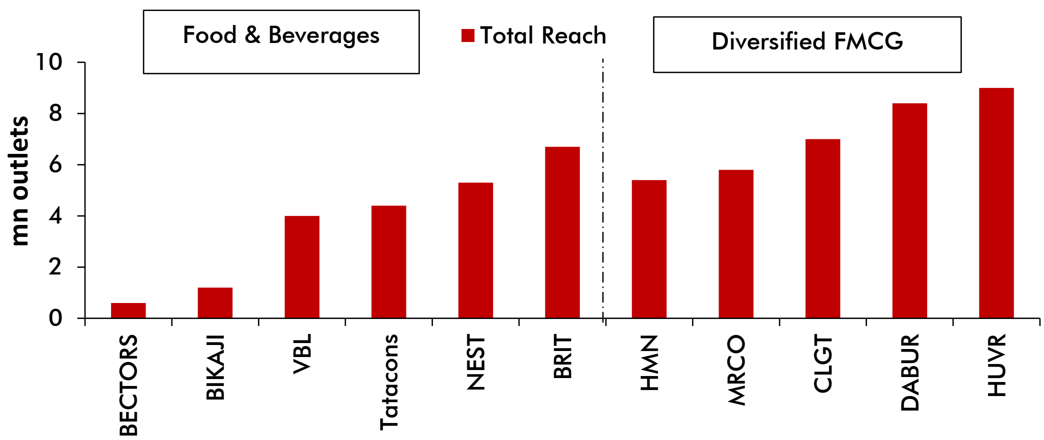
VBL has seen the fastest distribution scale-up amongst the larger Consumer staple space. Visi-coolers chill products for consumption and secure shelf-space monopolies in outlets with capacity constraints. Distribution reach reduces freight costs for inventory by ensuring proximity to markets.

Exhibit 25: VBL has seen one of the fastest distribution scale-ups amongst larger consumer staple peers in the last 8 years in India



Source: Company, Ambit Capital research

Exhibit 26: VBL has ample distribution headroom, evident from the lag in distribution reach vs other large F&B players



Source: Company, Ambit Capital research, Industry

From bottler to beverage-plus powerhouse

VBL has evolved from a regional bottler in India into PepsiCo's symbiotic master franchisee and a diversified global FMCG juggernaut. Domestically, VBL's pan-India consolidation has partly mitigated seasonal earnings volatility while providing a strong distribution moat to scale high-margin categories like energy (Sting) and functional hydration. Internationally, VBL has transformed legacy footholds into resilient, dividend-yielding cash cows, and is now aggressively scaling a Pan-African FMCG engine across Morocco, Congo, Zimbabwe, and South Africa via backward integration, TAM expansion and premiumization. It is also actively layering localized packaged snacks and AlcoBev onto its existing supply chain. This transition from a pure-play liquid bottler into a multi-category F&B play provides a visible runway for sustained growth, even as the domestic business would remain an anchor, 59% of sales in CY28E vs. 76% in CY18.

Pan-India consolidation fuels multi-category future

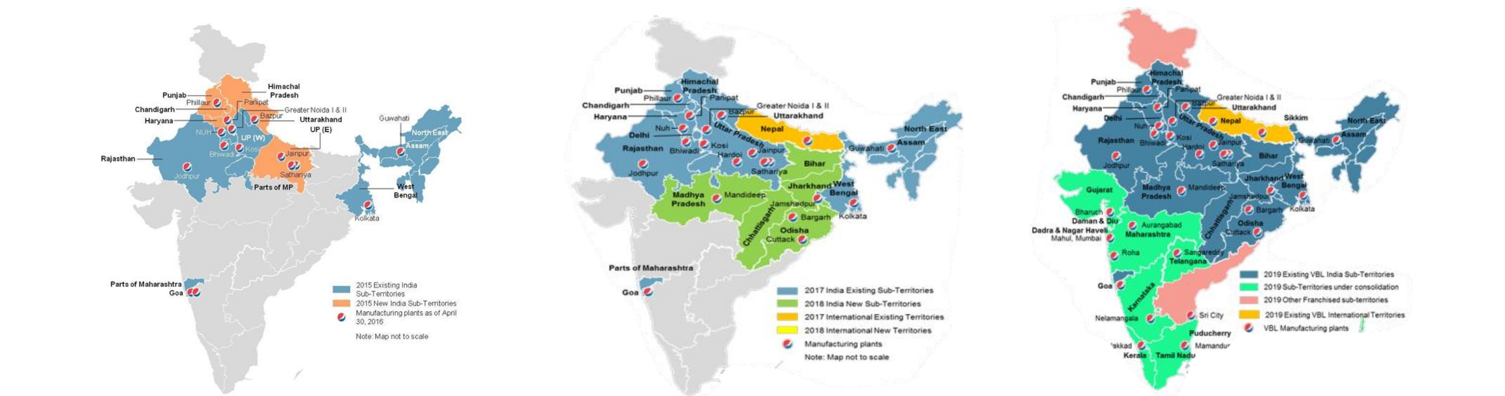
VBL has transitioned from a localized bottler to a master practitioner of the franchise model. The relationship with PepsiCo is symbiotic: PepsiCo handles product innovation, global branding, and Above-the-Line (ATL) marketing, while VBL provides the infrastructure for manufacturing, bottling, and last-mile distribution.

Exhibit 27: VBL has a symbiotic relationship with Pepsico

Source: Company, Ambit Capital research

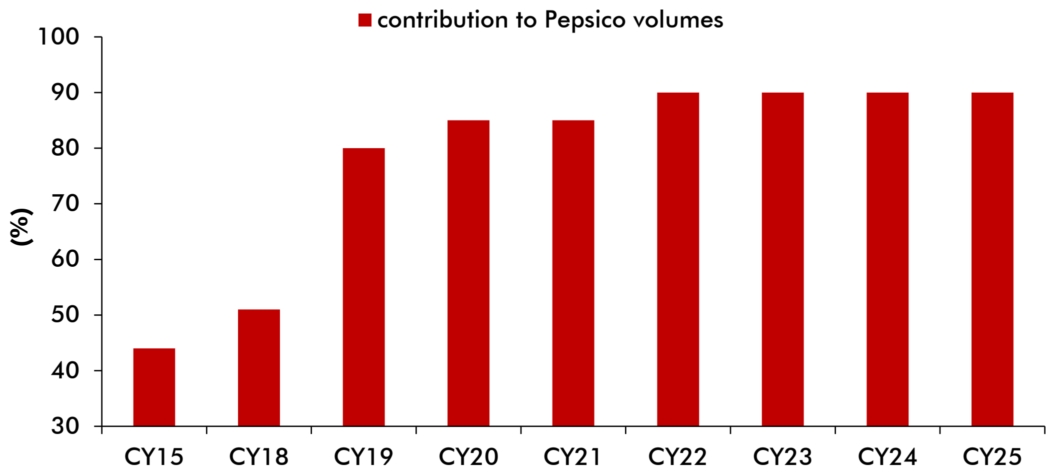
VBL started out as a regional bottler focused on a few states in North India until CY13. A pivotal shift in India's growth trajectory occurred in CY18/CY19 when it acquired PepsiCo India's franchise rights for the South/West regions. This strategic acquisition expanded VBL's footprint to 27 states and 7 UTs, accounting for 90%+ of PepsiCo's India volumes, underscoring PepsiCo's confidence in VBL's execution capabilities. Moreover, PepsiCo now has a bottling and trade license agreement with VBL till CY39. <u>This consolidation partly resolved seasonality dependence, led to better economies of scale, built a visi-cooler moat, and created a unified launchpad for new products.</u>

Exhibit 28: Geographical evolution of VBL's coverage across India in the last 15 years



Source: Company, Ambit Capital research

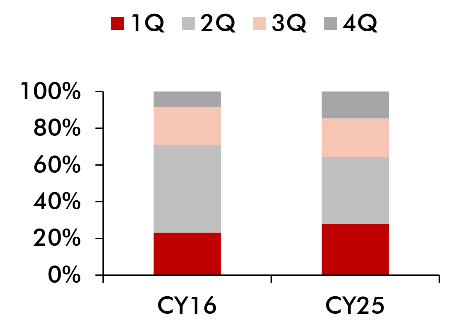
Exhibit 29: VBL now forms 90%+ of PepsiCo's India volumes



Source: Company, Ambit Capital research

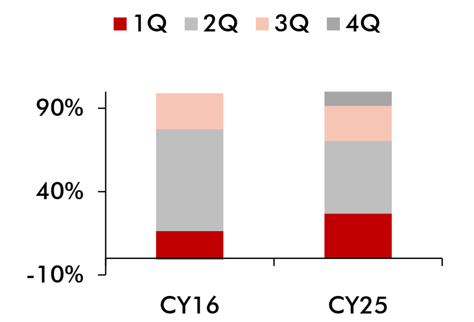
In Northern and Eastern India, where VBL was previously dominant, beverage demand declines sharply during the winter months. The Southern and Western territories, characterized by a more tropical climate, offer a slightly more consistent demand profile year-round, allowing VBL to sweat its manufacturing assets better. Nevertheless, a favourable summer still plays a crucial role in determining the entire year's profitability as 1Q/1H of CY still contributes ~27%70% of VBL's EBITDA and PAT.

Exhibit 30: Non-seasonal (1Q+4Q) India sales form 43% vs. 32% of CY sales



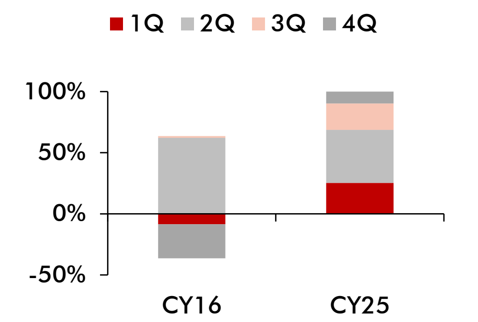
Source: Company, Ambit Capital research

Exhibit 31: EBITDA skew reduced from 16% to 35%



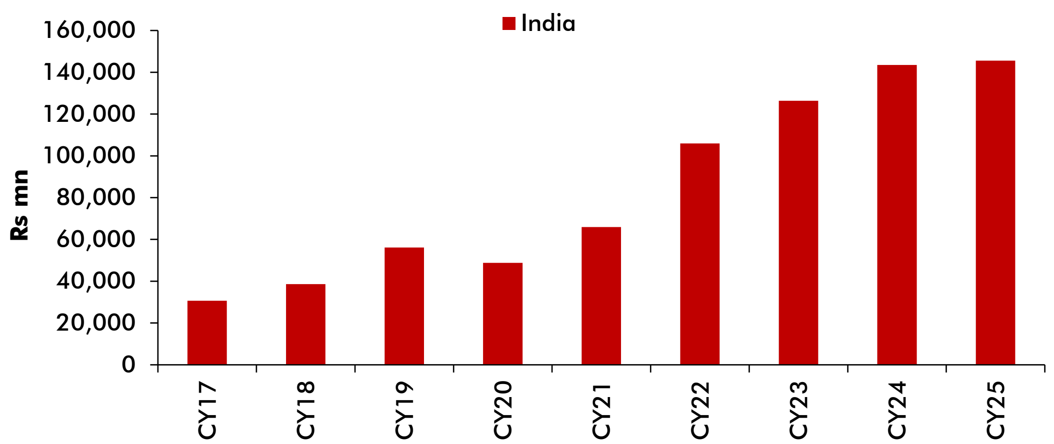
Source: Company, Ambit Capital research

Exhibit 32: PAT too forms 35% of CY profits vs losses earlier



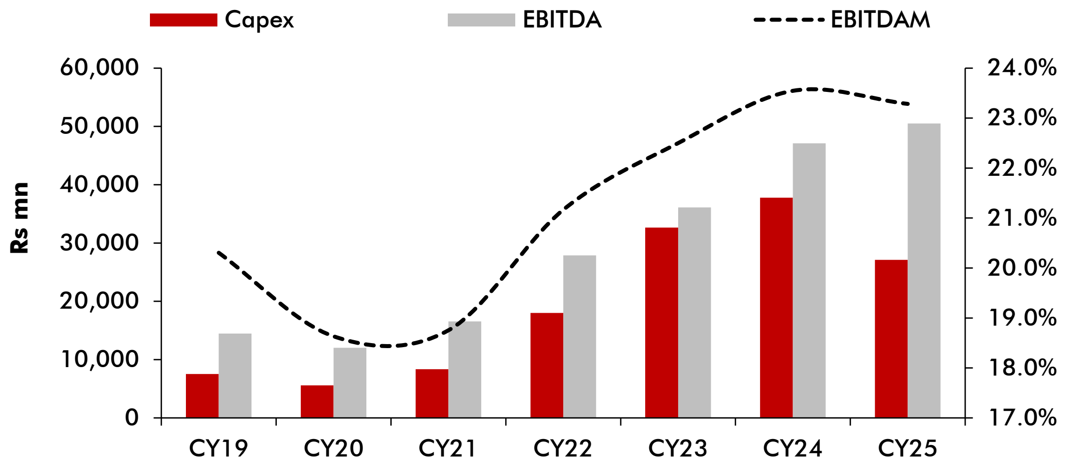
Source: Company, Ambit Capital research

Exhibit 33: VBL's India sales have grown at a CAGR of 22% over CY17-25 driven by organic + inorganic scale-up and market share gains in India



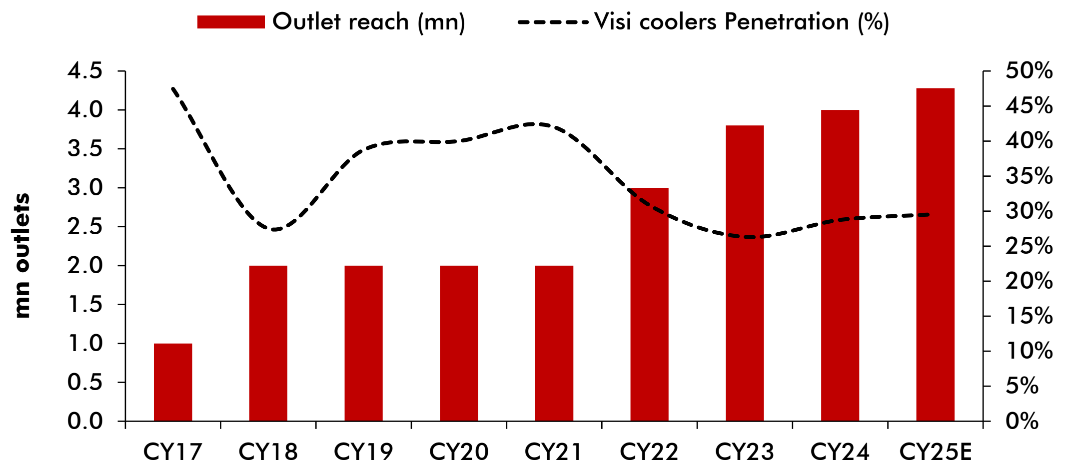
Source: Company, Ambit Capital research

Exhibit 34: VBL has consistently invested to scale the manufacturing capabilities and after sweating of assets, margins have expanded over the past 8 years in India



Source: Company, Ambit Capital research

Exhibit 35: Despite ~20% CAGR outlet additions, visi-cooler penetration has been healthy

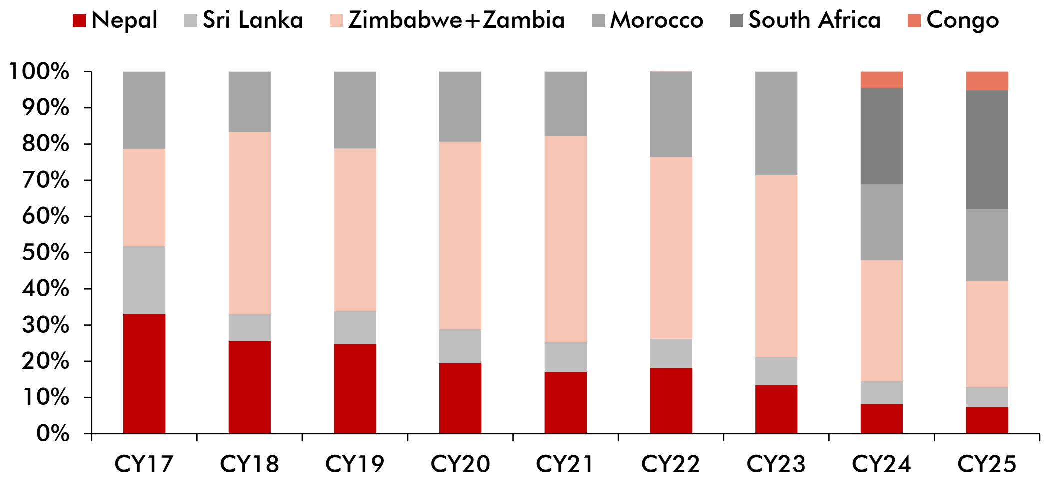


Source: Company, Ambit Capital research

Regional roots to global scale: Turnarounds, Dominance, and Diversification provide growth visibility

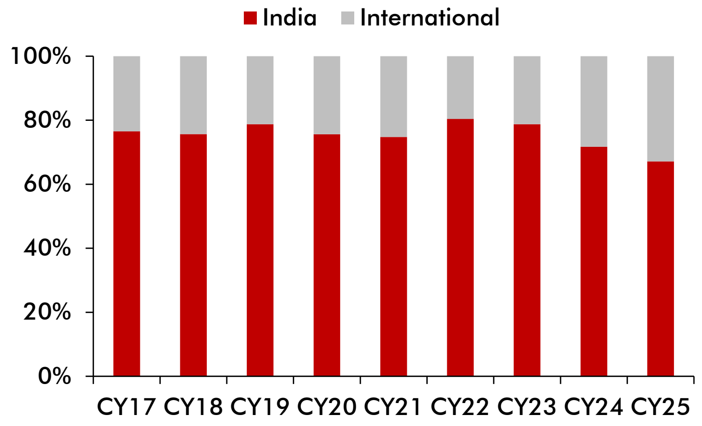
VBL's international portfolio has evolved from a supplementary volume driver, 16%/10% of sales/EBITDA in CY15, into a multi-category profit engine, 32%/25% of sales/EBITDA in CY25. VBL has transformed initial footholds in Nepal and Sri Lanka into mature, dividend-yielding cash cows through strategic capacity-building and by navigating early regulatory and macroeconomic headwinds. This Indian sub-continent beverage execution playbook is now being aggressively scaled up across Africa. Morocco, Zambia, and Zimbabwe markets, with the South Africa market now the next big bet. BevCo and Twizza acquisitions provide VBL with immediate access to pre-established 1200mn cases in the South Africa markets, avoiding the time and capital required to build them organically. VBL's focus on backward integration, strategic acquisitions to capture the South African market, new entries into the snacks and testing the Alcobev markets provide a visible runway for sustained global growth.

Exhibit 36: VBL's international portfolio evolution indicates a strong focus on African markets



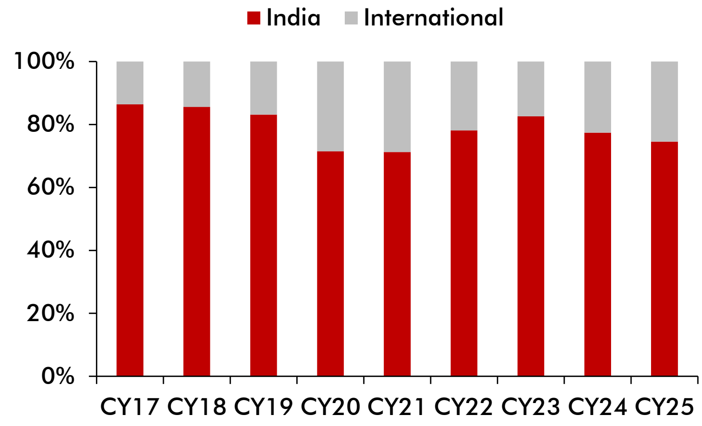
Source: Company, Ambit Capital research

Exhibit 37: International sales mix has improved for VBL…



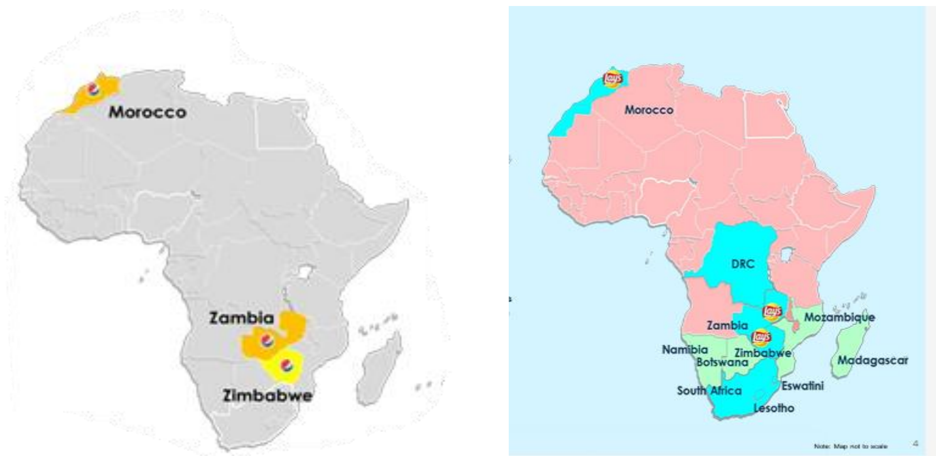
Source: Company, Ambit Capital research

Exhibit 38: …further reduction in India EBITDA dependence



Source: Company, Ambit Capital research

Exhibit 39: Africa presence has scaled across countries and across product categories (CY15 vs CY25)



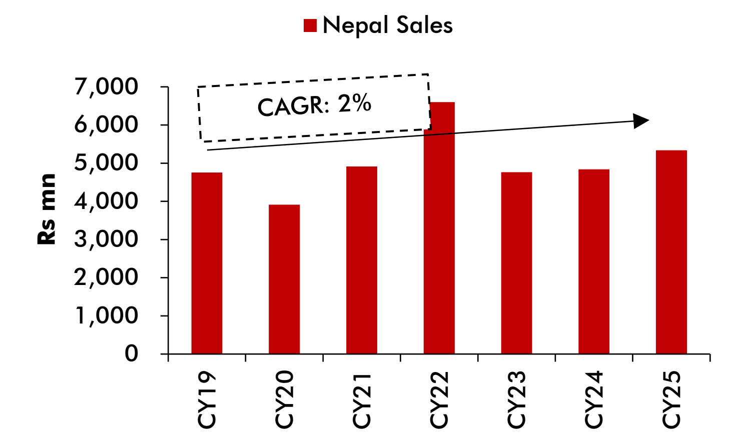
Source: Company, Ambit Capital research

Nepal and Sri Lanka: From early headwinds to high-margin cash cows

While Sri Lanka and Nepal markets represent a smaller volume base than India, their evolution highlights VBL's strong execution capabilities. Both markets have successfully transitioned from facing early regulatory, localised challenges and capacity constraints to becoming highly resilient, mature, and strongly dividend-yielding growth engines.

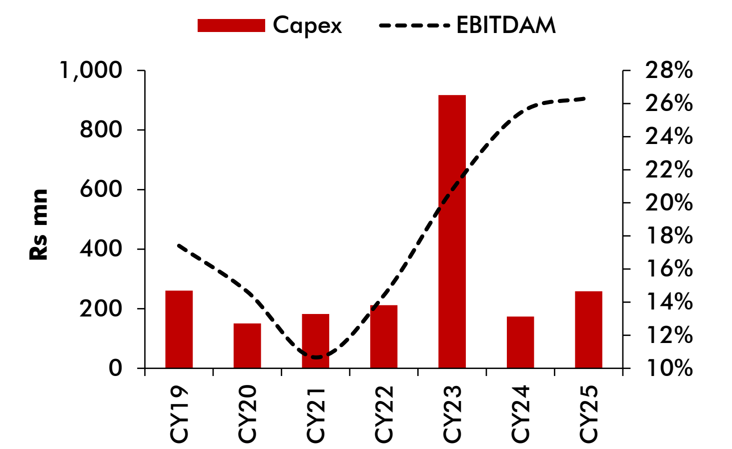
- **Nepal:** To overcome historic capacity constraints, VBL commissioned a greenfield plant in CY18 featuring three distinct production lines: glass, CSD PET, and packaged water. This allowed the VBL to introduce juice and packaged water products to the Nepalese market for the first time, diversifying the portfolio.
- **Sri Lanka:** Operations faced severe regulatory headwinds in CY18, following the sudden introduction of a sugar tax, which led to a sharp 30% volume decline. VBL swiftly adapted its product portfolio by introducing low-sugar and zero-calorie variants to stabilize the market, which eventually recovered fully after the government substantially rolled back the tax by CY18-end.
- Both Nepal and Sri Lanka now operate with established localized capacities. They are generating strong free cash flows, effectively shifting from a phase of heavy capital investment to lucrative cash repatriation for the parent company. Reflecting the maturity and profitability of the territory, VBL India's CY24/25 standalone income was supported by a dividend receipt.

Exhibit 40: Nepal sales were flattish over CY19-25



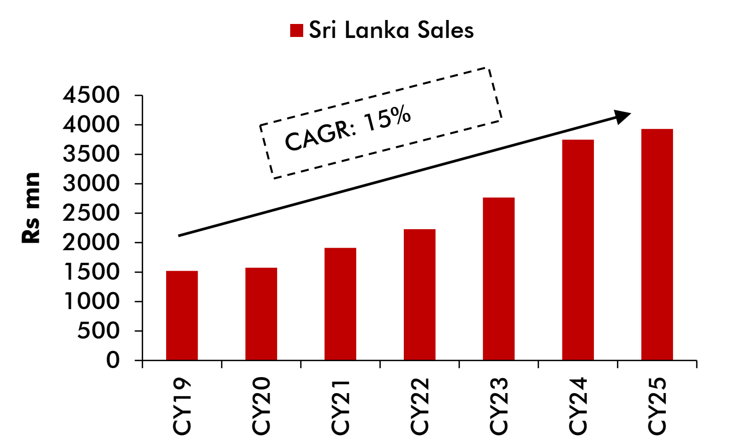
Source: Company, Ambit Capital research

Exhibit 41: Capex injection expanded EBITDA margin



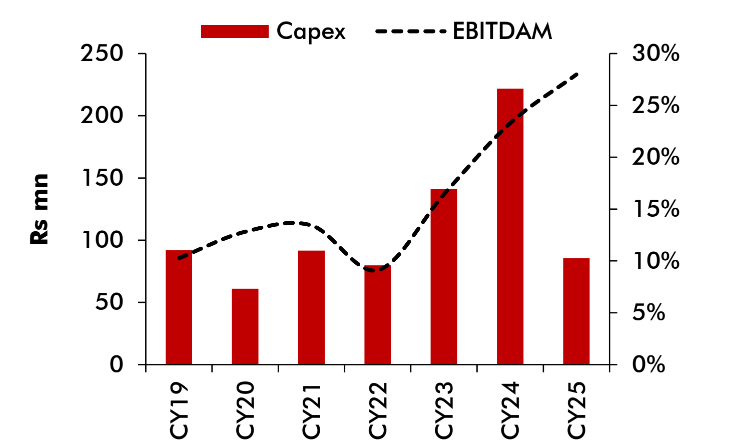
Source: Company, Ambit Capital research

Exhibit 42: Sri Lanka sales grew at 15% CAGR over CY19-25



Source: Company, Ambit Capital research

Exhibit 43: Capex injection expanded EBITDA margin

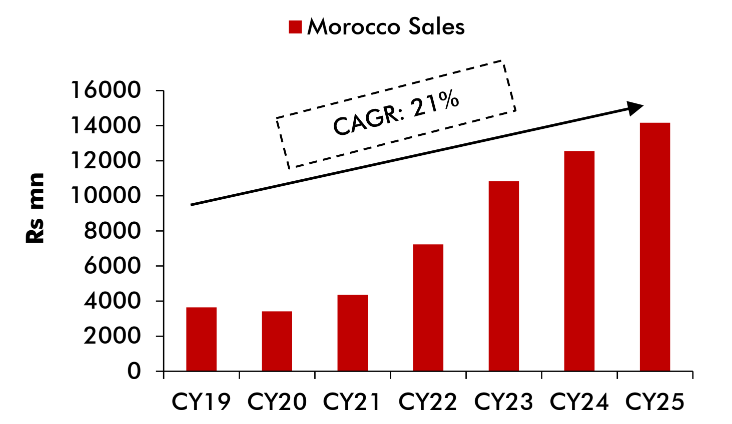


Source: Company, Ambit Capital research

Morocco: Blueprint for a multi-category FMCG empire

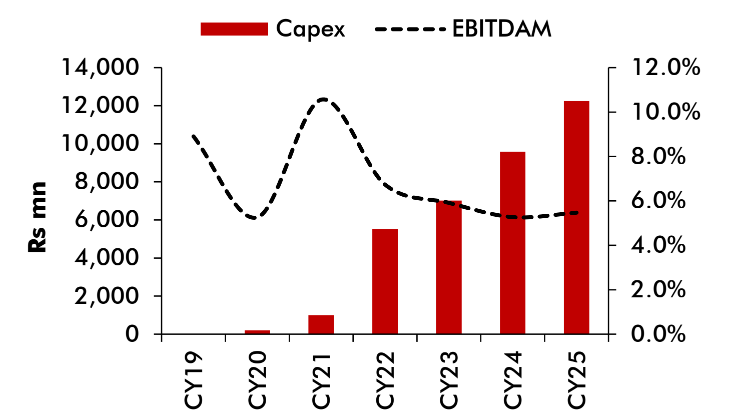
- Initially, Morocco was a loss-making territory that pulled down VBL's overall profitability. Water is a massive category in Morocco; VBL struggled to compete due to a non-compete agreement for bottled water, meaning VBL could only sell CSD. Post expiration of the non-compete agreement, VBL installed a water line and introduced Aquafina, establishing itself as a comprehensive beverage supplier. This move quickly captured ~12% market share, aggressively competing against rivals who operated multiple plants. This surge in volumes pushed the Moroccan operations into profitability in CY21.
- **Capacity expansion and surging margins:** Stringent COVID-19 lockdowns temporarily muted growth in CY20, but VBL used this period to invest in its infrastructure, doubling its water capacity. Unlike in India, water in Morocco commands a much higher per-case realization. Along with a reduction in market discounts, this led to significantly improved profit margins, establishing Morocco as a sustainable, profitable business. By the end of CY23, VBL had achieved an impressive ~30% total market share in the country.
- **Strategic diversification into snacks:** VBL is leveraging its existing infrastructure to enter the food segment. VBL began exclusively distributing PepsiCo's snack brands (Lays, Doritos, and Cheetos) in Morocco. To scale this business further, VBL's wholly owned subsidiary signed an agreement to manufacture and package Cheetos locally. VBL successfully commissioned its own dedicated snacks manufacturing plant in Morocco in Jun' 25, which has already garnered a very strong initial response and reduces dependence on the expensive imports.
- Margins in Morocco remain subdued at ~6% due to the early-stage nature of operations, low-capacity utilization, higher fixed overheads, and continued investments in distribution and portfolio expansion. As scale improves and product mix premiumizes, we expect a gradual margin normalization driven by operating leverage.

Exhibit 44: Morocco sales grew 21% CAGR over CY19-25



Source: Company, Ambit Capital research

Exhibit 45: Capex injections will drive EBITDA margin expansion



Source: Company, Ambit Capital research

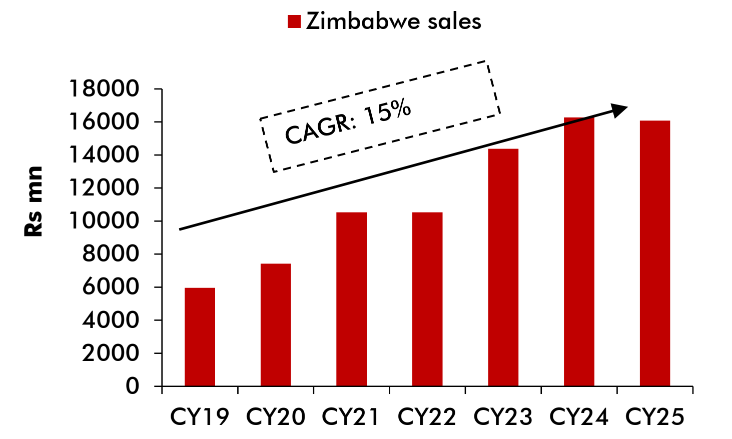
Zimbabwe: Macro-resilience and market capture

VBL's trajectory in Zimbabwe is another example of aggressive market capture and operational resilience. In just seven years, VBL evolved from an unknown greenfield entrant into a dominant ~70% market share monopoly. Having successfully insulated its margins against severe currency devaluation and regulatory shocks, VBL is now deploying its established infrastructure to pivot into another fully integrated F&B play.

- **Explosive entry and rapid market capture:** Before CY18, the Zimbabwean market was serviced from VBL's Zambia operations. In Mar'18, VBL commenced local operations through a new greenfield manufacturing plant. VBL introduced PepsiCo brands at highly disruptive, affordable price points. Consumers rapidly switched to VBL's value-for-money, high-quality alternatives as the economy faced squeezed disposable incomes due to inflation. Within its first 10 months, VBL captured a 35% market share against established competitors who operated multiple plants and 50% by CY19. Competitive pricing, low production costs, and an aggressive GTM helped VBL's Zimbabwe plant also to export beverages to neighbouring countries.

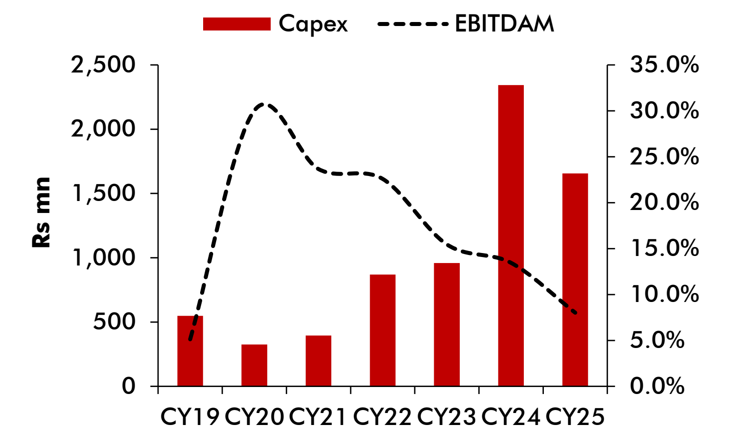
- **Continued expansion:** Despite the macroeconomic hurdles and the COVID-19 pandemic, Zimbabwe remained a highly profitable growth engine. During this phase, VBL continuously backward-integrated and expanded its infrastructure by adding a canning line, a water line, and pre-form manufacturing capabilities.
- **Total market dominance and the "sugar tax" hurdle:** Through continuous capacity additions and aggressive distribution, VBL achieved c70%+ market share in Zimbabwe by CY23. In CY23, the Zimbabwean government introduced a sugar tax, forcing VBL to transition its portfolio toward zero-sugar alternatives and raise prices. This led to a temporary drop in sales volumes and moderation. Despite this hurdle, sales in Zimbabwe still grew 23% YoY in CY23, but margins eroded.
- **Volume recovery and strategic expansion into snacks:** To drive its next wave of growth, VBL expanded its Zimbabwe operations into the packaged food and snacks segment. VBL incorporated Varun Foods (Zimbabwe) Pvt. Ltd. and secured an exclusive franchising agreement with PepsiCo to manufacture and distribute "Simba Munchiez". VBL has invested ~USD7mn to build a dedicated snacks manufacturing facility in Zimbabwe with an annual capacity of ~5,000MT. VBL has already begun distributing PepsiCo snack products nationwide.

Exhibit 46: Zimbabwe sales grew 15% CAGR over CY19-25



Source: Company, Ambit Capital research

Exhibit 47: EBITDA margin eroded due to sugar tax introduction



Source: Company, Ambit Capital research

South Africa: Transforming into a "star territory"

VBL views South Africa as one of its high-growth opportunities outside India. VBL identified South Africa as a massive market of close to 1.2 billion cases with a high per capita consumption of ~250 servings—about 3 to 4x vs India's. Despite the large market size, PepsiCo's market share in South Africa was extremely weak at just 1.8-2%, giving VBL a massive runway for growth. BevCo and Twizza acquisitions provide VBL with immediate access to pre-established markets, avoiding the time and capital required to build them organically. Post the acquisitions, South Africa markets would form c15% of VBL's consolidated sales CY27 onwards. These transactions will enhance scale, improve operating efficiencies, and expand VBL's addressable market.

- **Market entry via BevCo acquisition:** VBL officially entered the market in Mar'24 by completing the acquisition of The Beverage Company (BevCo). This deal gave VBL five poorly maintained but highly strategic manufacturing plants, alongside franchise rights for South Africa, Lesotho, and Eswatini, and distribution rights in neighbouring countries like Namibia and Botswana.
- **Strategic restructuring and backend improvements:** During the seasonally weak winter months, VBL overhauled BevCo's operational strategy. Historically, BevCo was heavily skewed toward Modern Trade (accounting for 40-45% of the market), where large retailers squeezed margins. VBL consciously pivoted towards General Trade, where margins are better. VBL placed more visi-coolers in the South African market than previous operators had cumulatively placed in the market's history. BevCo's own local brands had ~30% lower realizations than PepsiCo brands. VBL optimised the portfolio by discontinuing unprofitable pack sizes and pushed the PepsiCo portfolio, increasing PepsiCo's sales mix from 15% to 19% within just a few months.

- **Scaling up with "Twizza":** To further cement its dominance in Africa's largest soft drink market, VBL announced the acquisition of "Twizza". This acquisition brings three additional manufacturing plants that already feature backward integration, which is projected to immediately boost VBL's capacity in South Africa by 70% to 80%**.**

Exhibit 48: South Africa consolidation through BevCo and Twizza

Source: Company, Ambit Capital research

Exhibit 49: Manufacturing scale-up across the country

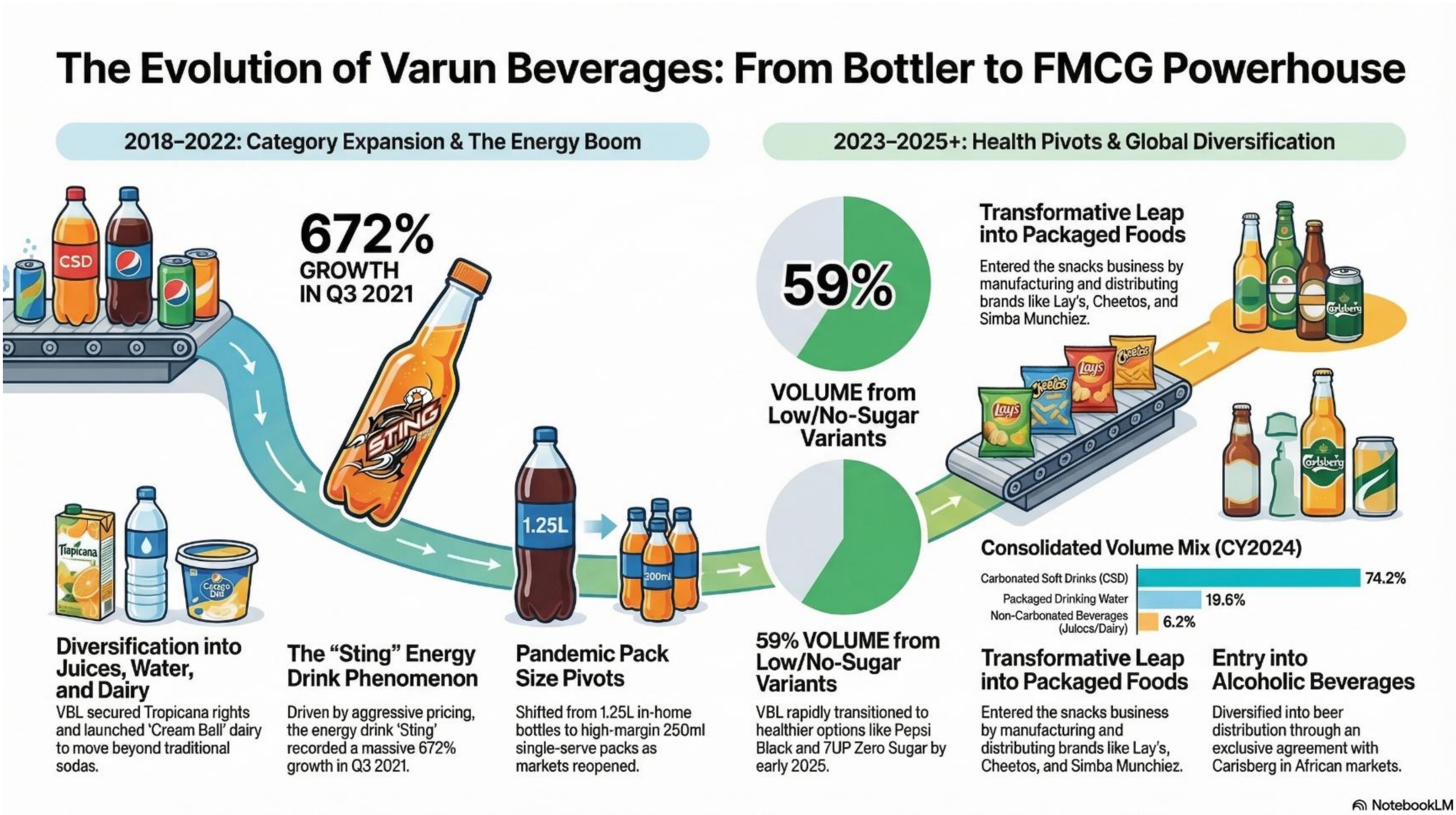
Source: Company, Ambit Capital research

- **Entry into alcoholic beverages provides optionality:** Leveraging its newly established distribution network in Southern Africa, VBL has tied up with Carlsberg to test-market beer. South Africa does not have the same stringent regulatory restrictions as India, VBL can efficiently load beer and soft drinks onto the same delivery trucks, opening up an entirely new, highly lucrative category. We consider this an additional optionality, and if this optionality is successful, VBL can leverage South Africa's playbook and play in the broader Beer category across geographies.

Portfolio transformation driving growth

VBL has structurally evolved from a CSD-led bottler into a diversified, multi-category FMCG player with a clear margin-accretive growth path. In India, the portfolio pivot toward energy (led by Sting), hydration, and low/no-sugar beverages has driven mix improvement, with energy scaling rapidly supporting both growth resilience and margin expansion. Internationally, VBL is replicating this playbook across Africa and other markets by expanding into water, snacks, and AlcoBev, while premiumizing portfolios (notably in South Africa) and unlocking operating leverage. With headroom in energy drink penetration, cross-category scaling, and ongoing mix optimization, VBL is well-positioned for sustained sales growth and EBITDA accretion.

Exhibit 50: VBL has evolved its portfolio over time and has proven execution capabilities across geos

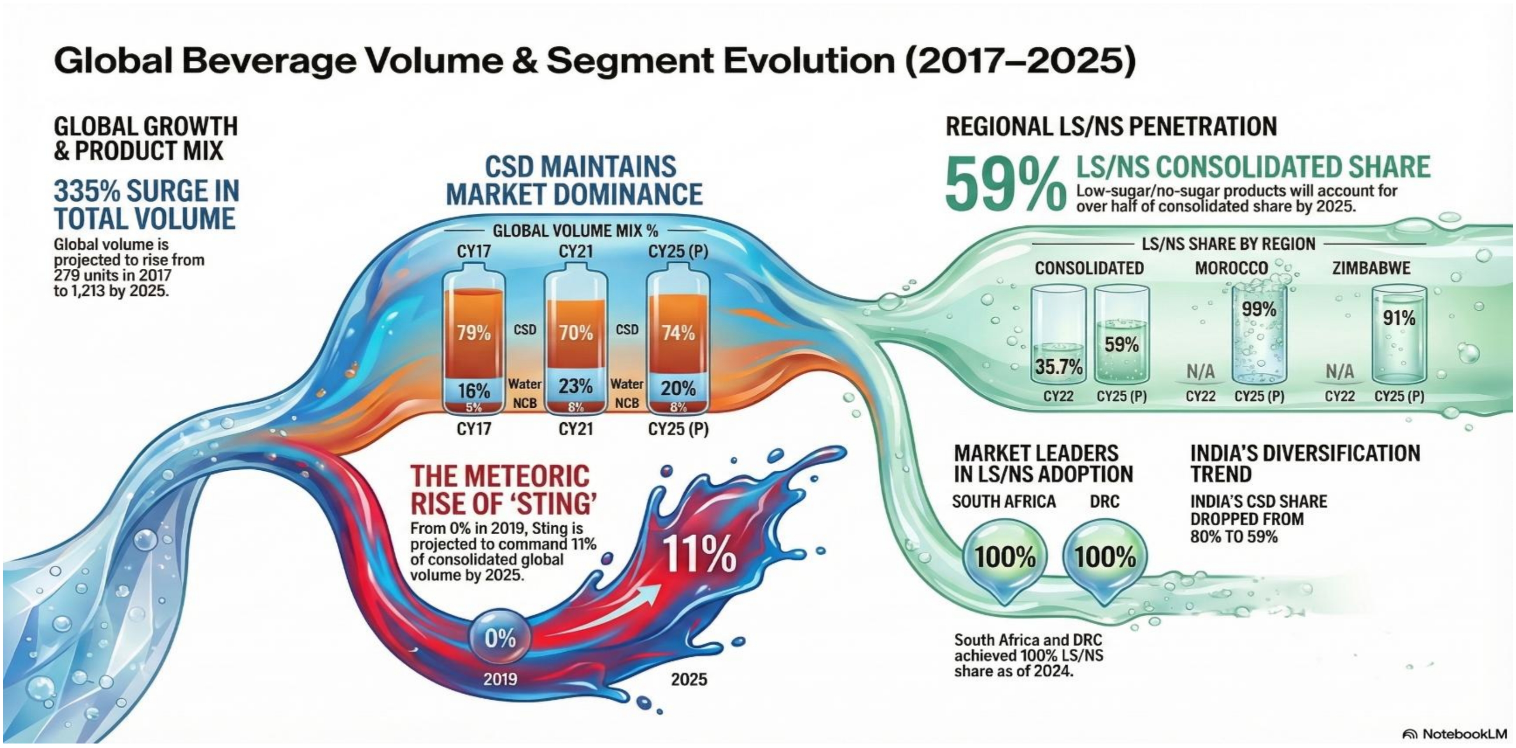


Source: Company, Ambit Capital research

Domestic evolution: Margin-accretive pivot to energy, hydration and health

VBL's domestic operations have transformed from a traditional CSD franchise into a diversified, multi-category beverage bottling. By executing disruptive pricing strategies, aggressively expanding into functional hydration, and proactively pivoting toward low-sugar variants, VBL has insulated its portfolio against shifting consumer habits while simultaneously driving massive margin accretion. We project significant runway for "Sting" to expand beyond its current ~15% domestic volume mix, gradually converging toward the 30%+ penetration levels observed in comparable emerging markets. By simultaneously focusing on Non-Carbonated Beverages (Gatorade, Tropicana) and pivoting the portfolio toward low/no-sugar alternatives, VBL is cementing its transition into a diversified "total beverage" ecosystem.

Exhibit 51: India's volume dependence on core cola has reduced vs CY17

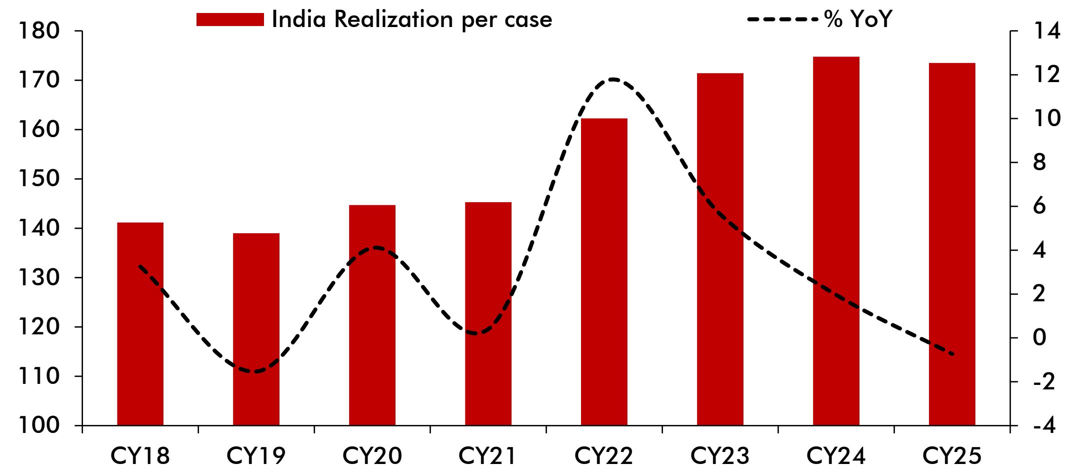


Source: Company, Ambit Capital research

- **The "Sting" phenomenon & hydration blitz:** VBL's ability to create and dominate entirely new categories is best exemplified by the energy drink brand "Sting". The structural shift in VBL's portfolio began in CY18 through the scale-up of Sting. Priced disruptively, Sting transitioned energy drinks from a premium niche into a mass-market impulse purchase. This drove exponential volume growth, with Sting surging to constitute c.10% of VBL's total Indian volume mix by CY22, and expanding further to ~15% by CY25 as per our understanding. There remains ample headroom for growth in Sting, given that the energy drinks form 30%+ share in countries such as Vietnam and Pakistan, where Sting has been successful.
- VBL secured the rights to Tropicana juices, Gatorade, and Quaker in CY18. Recognizing the limitations of legacy packaging, VBL strategically introduced Tropicana in PET formats to drive deeper penetration across traditional trade networks. Furthermore, the company launched ambient-temperature, value-added dairy beverages under the 'Cream Bell' trademark and experimented with ethnic flavours via Fizzy Slice, laying the groundwork for a broader "total beverage" ecosystem.

- Simultaneously, VBL applied this disruptive pricing playbook to the sports hydration market. By introducing a 250ml Gatorade pack at an accessible ₹20 price point, the brand unlocked a ~50% growth, albeit on a low base. Furthermore, targeted promotions for the ethnic hydration brand 'Nimbooz' scaled 2x. Facing severe capacity constraints amid this hyper-demand, VBL aggressively invested to increase its production capabilities for juices and value-added dairy by 200%.

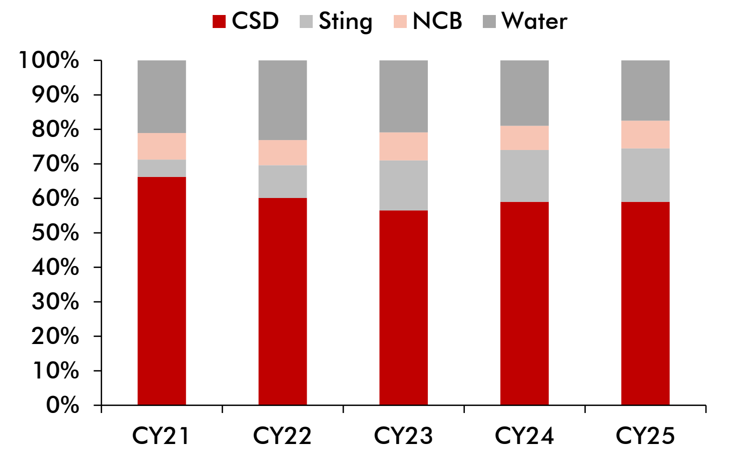
Exhibit 52: India realization per case improved from CY20 on Sting + NCB scale-up



Source: Company, Ambit Capital research

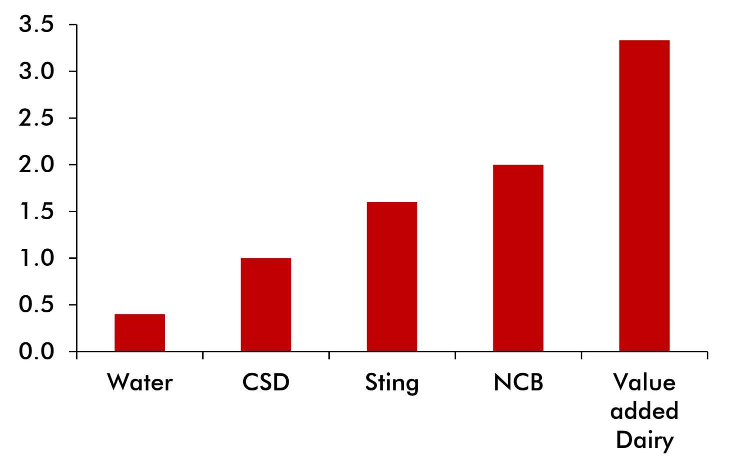
- **The structural pivot to health & premiumization:** To align with evolving consumer health trends and pre-empt potential sugar-tax regulations, VBL has forcefully pivoted its portfolio. It is aggressively pushing low-sugar and no-sugar alternatives, including Pepsi Black, 7UP Zero Sugar, and mid-calorie Mirinda. This execution has been remarkably successful: by CY25, low- and no-sugar products accounted for a commanding ~59% of VBL's consolidated global volumes, up from 36% in CY22.
- To ensure its high-margin energy segment does not stagnate, VBL recently launched a mid-priced energy drink, **"Ad Rush"**, alongside **"Sting Gold"**, and is currently rolling out healthier, juice-based variants of Nimbooz to capture the premium health-conscious demographic.

Exhibit 53: Core CSD mix has declined & pivoted towards....



Source: Company, Ambit Capital research

Exhibit 54: ...higher-realization Sting + NCB

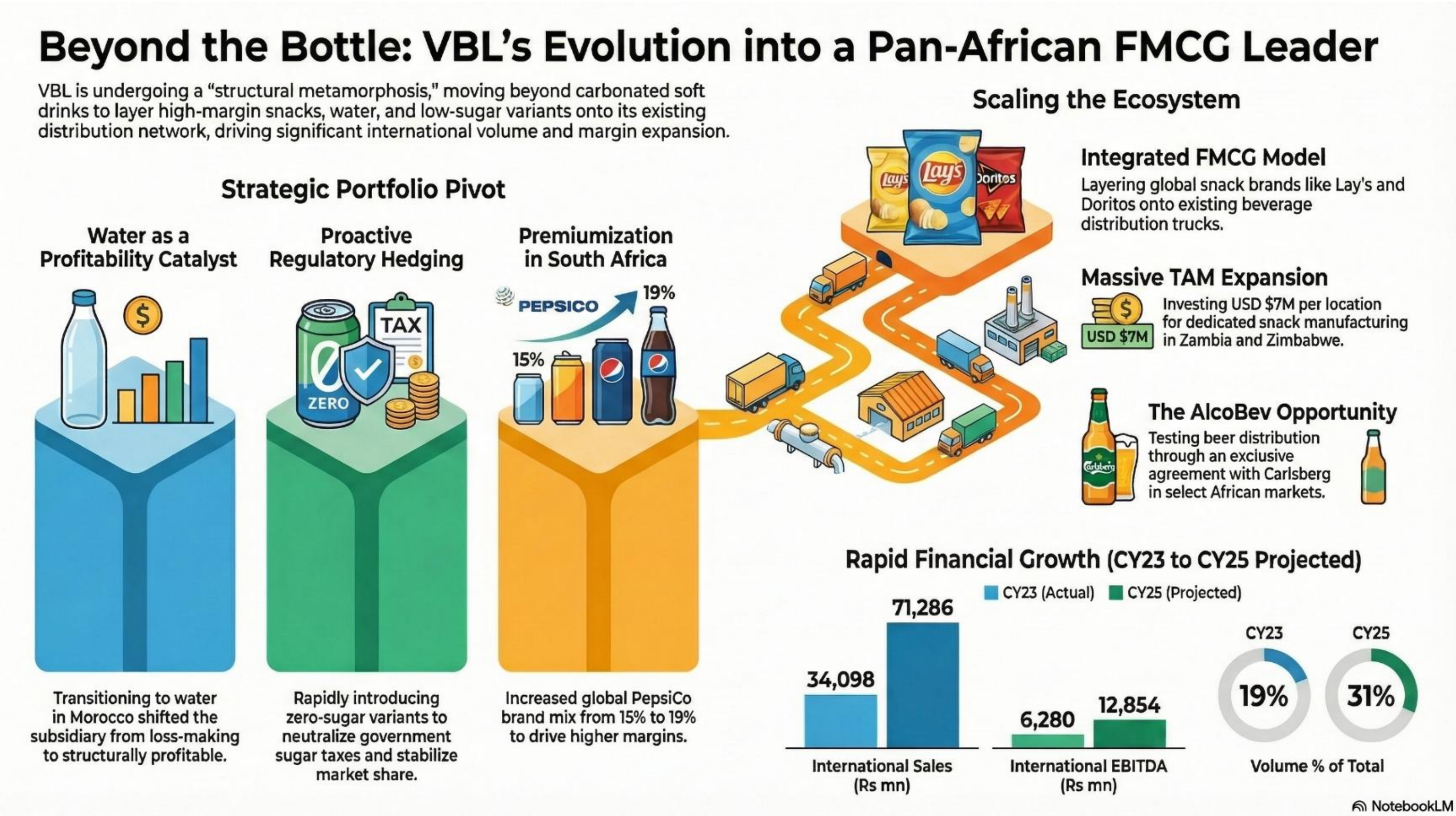


Source: Company, Ambit Capital research

Beyond the bottle: VBL's evolution into a pan-African FMCG player

VBL's international portfolio is undergoing a structural metamorphosis, evolving beyond legacy identity as a pure-play CSD bottler. VBL has layered higher-margin, higher-frequency categories such as packaged water, zero-sugar variants, packaged snacks, and alcoholic beverages onto its distribution network.

Exhibit 55: VBL's next big bet is African markets, with South Africa at the heart, and will replicate the Indian playbook



Source: Company, Ambit Capital research

Phase 1: Hydration expansion and the profitability pivot: Historically, capacity and licensing constraints limited VBL's international portfolio. The expiration of these bottlenecks served as massive volume catalysts:

- <u>Morocco's Water Catalyst:</u> A legacy non-compete agreement initially restricted VBL to CSDs, resulting in a margin-dilutive territory. Upon its expiration, VBL rapidly introduced a dedicated water line and launched Aquafina. This shifted the Moroccan subsidiary from a loss-making entity into structural profitability.
- <u>Nepal's Greenfield Leap:</u> To overcome capacity shortages, VBL commissioned a greenfield facility with dedicated lines for glass, CSD PET, and water, effectively laying the foundation for the penetration of juice and packaged water in the region.

Phase 2: Proactive regulatory hedging (the low/no-sugar shift): Global beverage bottlers constantly face the overhang of government-imposed sugar taxes. VBL has demonstrated agility in hedging this regulatory risk:

- <u>Sri Lanka:</u> When a severe sugar tax suppressed industry volume, VBL effectively neutralized the headwind by rapidly introducing zero-calorie and zero-sugar variants to stabilize market share.
- <u>South Africa & Morocco:</u> Aligning with global health trends, VBL is proactively bulletproofing its largest international growth market. In newly acquired South Africa, ~90% of the portfolio comprises low- or no-sugar products. Management notes that the Moroccan market is aggressively following this identical structural trend.

Phase 3: The South Africa turnaround: VBL's acquisition of BevCo in South Africa provided scale but required immediate portfolio optimization. VBL inherited a mix in which ~85% of sales were generated by BevCo's local "B-brands" (Refreshhh, Coo-ee, JIVE), which command realizations c30% lower than those of global PepsiCo brands. Within a year of assuming operational control, VBL's premiumization strategy increased PepsiCo's brand mix from 15% to 19%. This ongoing mix optimization acts as a direct, multi-year tailwind for per-case realization and EBITDA margins.

Phase 4: Expanding the TAM (packaged snacks & alcobev): Having built an extensive beverage distribution network across a few countries in Africa, VBL is now executing a cross-selling strategy, layering entirely new product categories onto its existing trucks. VBL is transitioning from a beverage distributor to an integrated FMCG player. In Morocco, VBL secured distribution for Lay's, Cheetos, and Doritos, with localized Cheetos manufacturing commencing by May 2025. Replicating this playbook in Zambia and Zimbabwe, VBL is investing ~USD 7 million per location to build dedicated snack manufacturing facilities for "Simba Munchiez". **The AlcoBev Optionality:** Further expanding its TAM, VBL entered into an exclusive distribution agreement with Carlsberg Breweries A/S to test-market beer in select African subsidiaries.

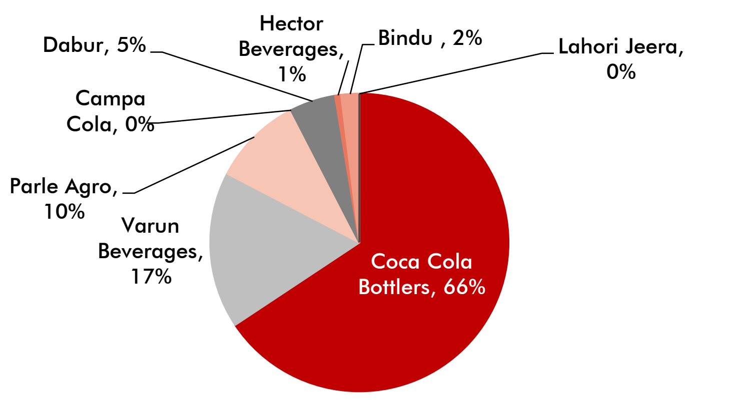
From duopoly to diversity, the competition stress test

For decades, the Indian beverage market was largely a stable duopoly between Coca-Cola and PepsiCo, with a small share from B brands. However, aggression from Reliance Consumer Products Ltd (RCPL) through the re-entry of Campa Cola, Raskik, Sosyo, and Shunya brands under the Reliance umbrella has become a third credible player, reshaping the status quo in the form of industry margins and market shares. Moreover, Campa is battling in the core Cola segment, Archian Foods Pvt Ltd's Lahori and Bindu have created a new category in the Indian Soft drink space. As per our understanding, RCPL and Lahori Jeera together have captured c12% of the market in the last two years.

Campa Cola disruption overblown

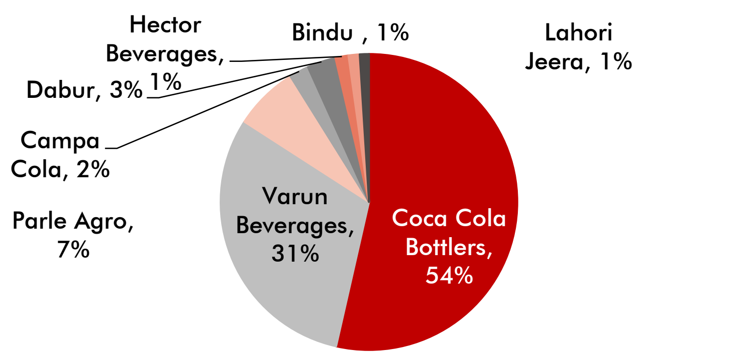
RCPL acquired Campa Cola in CY22 for ₹220mn and has since undertaken an aggressive national rollout. The Indian beverage sector operates as a concentrated oligopoly, evidenced by an HHI of ~3,300 and a four-firm concentration ratio (CR4) of 88%. Formidable barriers to entry—driven by capital-intensive manufacturing requirements and entrenched last-mile distribution networks—structurally lock out smaller entrants. Consequently, incumbents benefit from massive economies of scale and avoid value-destructive price wars, favouring non-price competition (marketing, brand equity). This equilibrium historically provides established players with deep economic moats, predictable cash flows, and stable margin profiles.

Exhibit 56: VBL + regional players ....



Source: Company, MCA, Ambit Capital research; Share is between players mentioned above: Coca-Cola includes HCCB, Moon Beverages, SLMG, Kandhari, Diamond beverages, Bengal beverages, Ludhiana beverages, Superior drinks, Wave beverages

Exhibit 57: ..... have scaled in the last 7 years



Source: Company, MCA, Ambit Capital research; Share is between players mentioned above: Coca-Cola includes HCCB, Moon Beverages, SLMG, Kandhari, Diamond beverages, Bengal beverages, Ludhiana beverages, Superior drinks, Wave beverages

Disrupting a high-HHI market requires a fundamental shift in the rules of engagement. RCPL is currently deploying a multi-pronged strategy via Campa Cola and other brands to capture market share. However, rather than fragmenting the market, we anticipate this disruption will shift the growing sector from a duopoly to a triopoly in a few years; the structural barriers to entry remain too steep for a 4th or 5th player to scale nationally.

We assess the RCPL threat and VBL's structural defense across strategic vectors:

Cross-subsidization and pricing disruption

Campa's Attack: RCPL is deploying an ecosystem play, leveraging cash generation from its parent conglomerate to fund a loss-leading pricing strategy. By launching 200ml PET bottles at ₹10 (a 30-50% discount to incumbents) and offering elevated trade margins of 6-8% (vs. the industry standard 3.5-5%), RCPL is explicitly buying volume share at the expense of standalone profitability. Competitor commentary confirms the margin-dilutive nature of Reliance's entry, with estimated Campa Cola's cash burn at ₹1.5-2 per bottle. While Campa matches the incumbent ₹10 retail price, its strategy relies on offering elevated trade margins to retailers. This is a capital-intensive penetration strategy, and current unit economics are structurally unsustainable without continuous cross-subsidization from the Reliance parent entity.

Exhibit 58: Aggressive pricing to expand quickly and capture market share

	200 Ml	250 Ml	300 Ml	500 Ml	750 Ml	1 Ltr	1.25 Ltr	1.5 Ltr	1.75 Ltr	2 Ltr	2.25 Ltr	2.5 Ltr
Cola Carbonate												
Campa (Cola)	10			20		50				80		
PepsiCo (Pepsi)	10	20	40		40		50	75			100	
Coca Cola	10	20	40		40		70		90	99	100	110
Thums Up*		20	40		40		70		90	99	100	110
Lemon Carbonate												
Campa (Lemon)	10	20		20		50				80		
Pepsi Co (7-up)		20	**40**		**40**		50				100	
Coca Cola (Limca)		20	**40**		**40**						100	110
Coca Cola (Spite)		20	**40**		**40**	50	**70**		90	99	**100**	110
Orange Carbonate												
Campa (Orange)	10			20		50				80		
Pepsi Co (Mirinda)		35	40		40		50	75		95	100	
Coca Cola (Fanta)		20	40		40		68				100	110

Source: Company, Ambit Capital research

<u>Manufacturing and bottling:</u> RCPL is currently manufacturing Campa and other beverages at about 18 facilities through co-investment partnerships. It is also executing a ₹80bn investment plan to set up 10-12 plants (VBL has 38 plants across India) across India by CY26 end and is targeting ~70% availability.

Exhibit 59: Campa has presence in 20+ states it has plants in few states

<u>Campa plants</u>	
<u>Partner Bottlers</u>	<u>Region</u>
Kali Aerated Water Works	Tamil Nadu
Asian Beverages	Tamil Nadu
Jallan Food Products	Andhra Pradesh, Rajasthan
Ghodavat Consumer Products	Maharashtra
Local bottlers	Uttar Pradesh, West Bengal and Telangana,
Sosyo Hajoori Beverages	Gujarat
<u>Own bottling</u>	<u>₹70-80bn capex</u>
EPIC Agro Product (partnership)	Bihar
	Karnataka
	Andhra Pradesh
Jericho Foods & Beverages (Partnership)	Assam

Source: Company, Ambit Capital research

Exhibit 60: Regional players like Archian and House of Bindu have limited manufacturing presence across India

<u>Lahori</u>	**<u>Own Plants</u>**
	Punjab
	Gujarat
	Uttar Pradesh
<u>Bindu</u>	**<u>Own Plants</u>**
	Karnataka (Puttur)
	Telangana (Sangareddy)
	Andhra Pradesh (Visakhapatnam)

Source: Company, Ambit Capital research

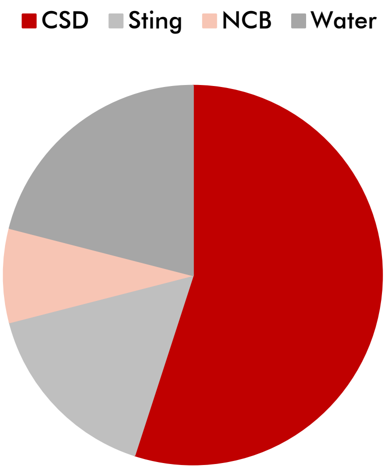
VBL's defence: Beverage profitability is dictated by physical supply chain efficiency. VBL absorbs pricing pressure through deep backward integration. By manufacturing its own preforms, closures, and corrugated boxes, VBL captures 400-450bps in structural margin savings. This operational leverage allows VBL to deploy surgical, volume-capped ₹10 defensive SKUs—strategically utilizing lower-tax juice variants like Nimbooz (5% GST vs. 40% for CSDs)—to defend market share without diluting its consolidated P&L.

The ₹10 price point is a highly aggressive and affordable pricing strategy that competitors use to heavily target rural and semi-rural markets in India. Initially, VBL held off on matching this price and did not enter the ₹ 10 price point in the PET range, limiting the ₹ 10 SKU in glass bottles in the restaurant and other B2B establishments. However, VBL's and competition's market share was challenged by Campa, and the strategy evolved into a controlled, targeted rollout to defend market share:

- Surgical Launches: VBL officially introduced a ₹10 PET pack, but management emphasized they are being "very surgical with it". They are not doing a pan-India launch; instead, they are selectively releasing it in specific areas where it is necessary to counter competition, starting with West Bengal and the Northeast.
- Strict Portfolio Capping: To protect overall profit margins, VBL intends to strictly limit the volume of these ₹ 10 packs, ensuring they do not exceed 5% to 7% of the company's total portfolio.
- Margin Protection via Tax Benefits: To make the economics of this low price point work, VBL plans to utilize its juice-based drink "Nimbooz" and sugar-free options for these new launches. Crucially, juice-based drinks are entitled to a much lower GST rate of 5%, compared to the standard 40% GST applied to regular carbonated soft drinks, effectively offsetting potential margin impacts.

Limited impact on portfolio for now: However, VBL remains largely under-indexed to this competition. Campa's traction is concentrated in the Cola and Orange flavours, which represent 20-25% of VBL's India volumes. VBL's stronghold in energy drinks (Sting) and mountain/citrus categories (Mountain Dew, 7Up), Juices, 58% of volumes, remains unchallenged by Campa's current product line-up for now.

Exhibit 61: VBL's portfolio mix with lower dependence on Cola + Orange (~20% of India volumes) protects itself from competition to an extent

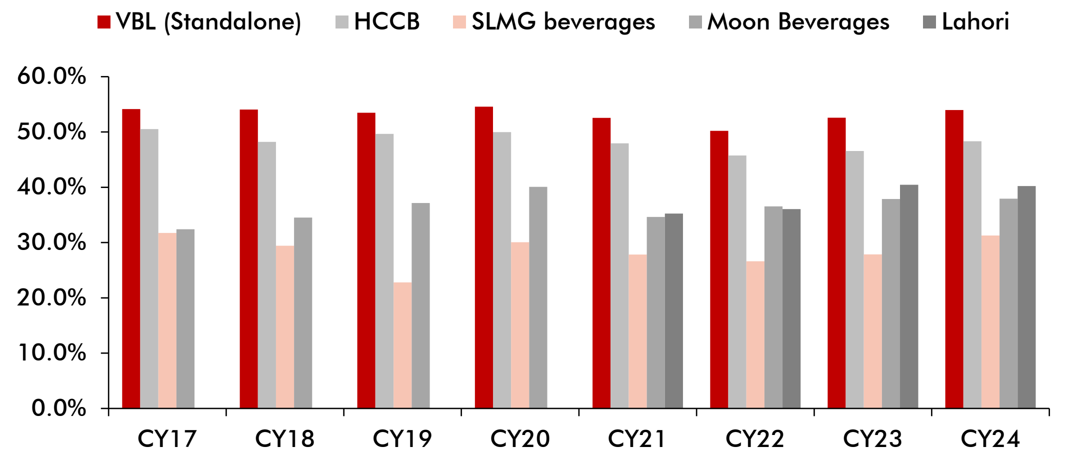


Source: Company, Ambit Capital research

Manufacturing Costs and Operational Efficiency, the deepest moat: VBL's industry-leading margin profile is a result of relentless backward integration and operating leverage. By internalizing packaging production and achieving high plant density across India, VBL has structurally lowered its cost-to-serve. We view this localized, hyper-efficient supply chain as an impenetrable moat that will protect VBL's margins and market share against aggressive new entrants.

- VBL's gross margin delivery is among the best in the world, given its aggressive internalization of the supply chain. It has successfully internalized the production of crown corks, plastic preforms, corrugated boxes, and shrink-wrap. By bringing these processes in-house, VBL captures the manufacturing margins that would otherwise be lost to third-party vendors. This alone saves 400-450bps in incremental margins.
- Management's intense focus on light-weighting plastic bottles and utilizing smaller bottle caps has sustainably reduced PET usage per unit.

Exhibit 62: VBL's India business has superior GM vs Coke bottlers and other upcoming players

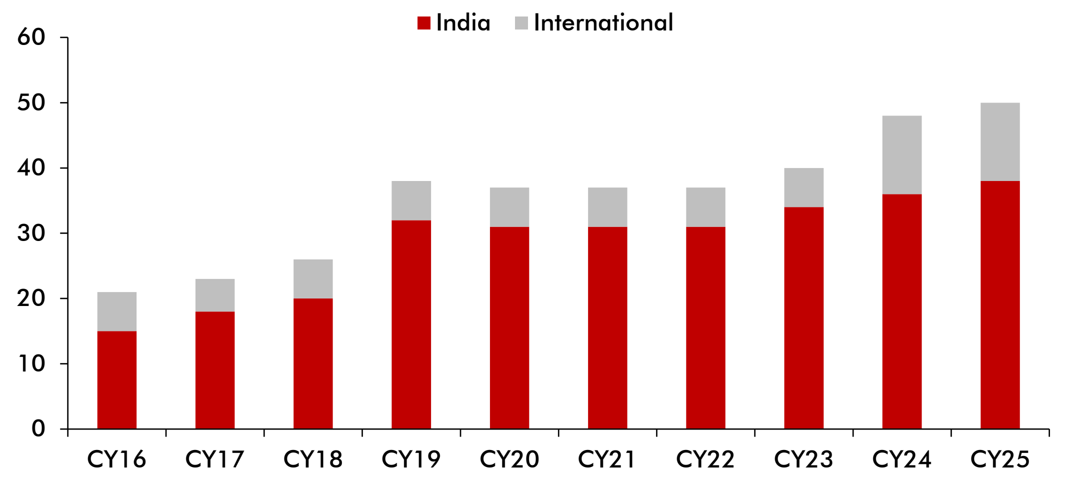


Source: Company, Ambit Capital research

Furthermore, the high logistics costs of beverages act as a severe constraint on Campa's growth. Transporting water is not viable over long distances; therefore, Reliance must build closer to the market. VBL's 38 manufacturing plants provide a significant logistical head-start, as setting up new capacity takes approximately 18-24 months per plant.

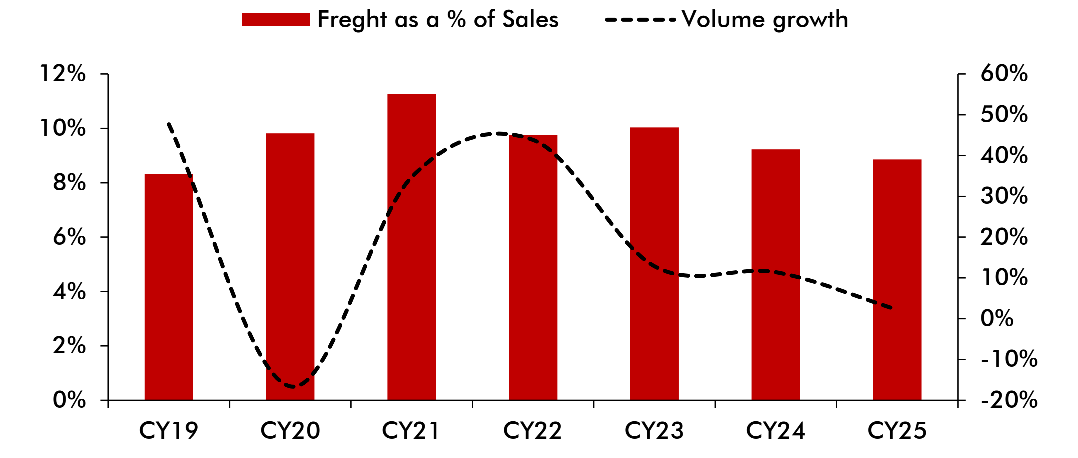
- The beverage industry is highly capital-intensive, characterized by massive fixed costs (plant and distribution network depreciation) but low variable costs per incremental case. VBL's profitability hinges on its ability to rapidly push newly commissioned plants past their break-even volumes (typically ~10mn cases).
- Once the new plants are fully operationalized, their revenue generation potential is structurally modelled to be 2x asset turns.
- Because beverages are heavy, high-volume, and low-ticket items, freight and transportation costs account for a large share of operating expenses. VBL operates 38 manufacturing plants in India, supported by 130 depots, 2,800 primary distributors, and a proprietary fleet of 2,600 owned vehicles. This plant density minimizes the physical distance between the production line and the end consumer, optimizing route-to-market economics.

Exhibit 63: VBL operates about 38 plants across India



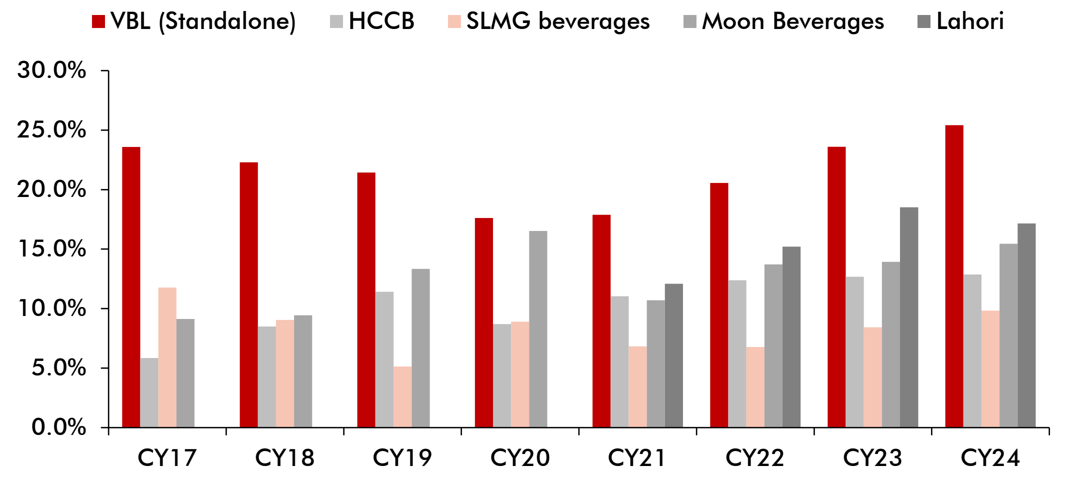
Source: Company, Ambit Capital research

Exhibit 64: Freight cost as a % of sales vs volume growth (SA)



Source: Company, Ambit Capital research

Exhibit 65: VBL's India business has a superior EBITDA margin vs Coca-Cola bottlers and other Indian brands



Source: Company, Ambit Capital research

Exhibit 66: VBL maintains superior profile vs. HCCB, other major Coca-Cola bottlers and even regional players such as Archian Foods (Lahori)

	VBL			HCCB			Other Coca-Cola Bottlers			Archian Foods (Lahori Jeera)		
	CY23	CY24	CY25	FY23	FY24	FY25	FY22	FY23	FY24	FY23	FY24	FY25
Revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Cost of revenue	54%	55%	55%	54%	53%	52%	64%	66%	66%	64%	60%	60%
Gross profit	46.2%	44.5%	44.8%	45.7%	46.6%	48.3%	35.6%	34.2%	34.3%	36.0%	40.4%	40.2%
EBITDA	22.5%	23.5%	23.3%	12.4%	12.7%	12.9%	12.9%	12.2%	12.3%	15.2%	18.5%	17.2%
EBIT	18%	19%	18%	8%	7%	6%	8%	9%	8%	6%	17%	16%
Other income	0%	1%	2%	1%	2%	1%	1%	1%	1%	1%	1%	0%
Finance Cost	2%	2%	1%	0%	0%	0%	2%	2%	3%	0%	0%	0%
Pre-tax income	17%	17%	19%	8%	8%	7%	7%	8%	6%	7%	17%	16%
Income tax expense	4%	4%	4%	2%	6%	2%	1%	2%	1%	2%	4%	4%
Net Income	13.1%	13.2%	14.1%	6.6%	2.0%	5.0%	5.1%	5.5%	4.7%	5.4%	12.9%	11.8%
RoE	35%	22%	17%	15%	4%	7%	17%	24%	17%	6%	16%	19%
RoCE	28%	24%	19%	16%	12%	8%	12%	16%	9%	7%	21%	25%

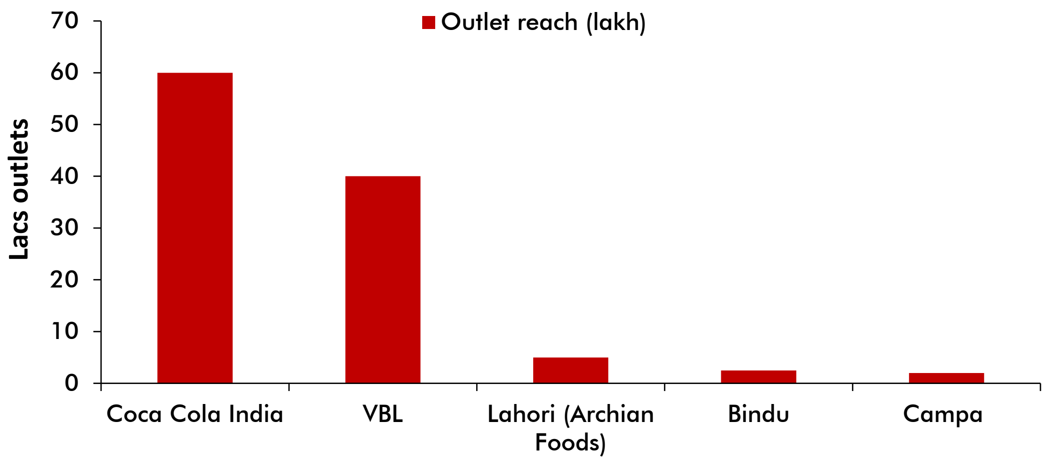
Source: Company, Ambit Capital research

Distribution bypass vs the visi-cooler moat

Campa's attack: To bypass incumbent shelf-space dominance, RCPL is leveraging its captive retail ecosystem (Reliance Fresh, Smart Bazaar, JioMart) for immediate national visibility. Furthermore, RCPL leverages its JioMart Partner B2B network to push inventory to local kiranas, bypassing traditional wholesale channels.

VBL's defence: Beverage sales are high-frequency, impulse purchases heavily reliant on 'on the go' cold consumption. VBL possesses an impenetrable moat via its proprietary base of 1.15 million visi-coolers across Indian General Trade (GT); retailers cannot practically or legally stock Campa inside VBL-owned refrigeration. Additionally, VBL's hyper-localized network of 38 manufacturing plants ensures a structurally lower freight and cost-to-serve profile compared to RCPL's currently scaling infrastructure.

Exhibit 67: Coca-Cola and Varun Beverages still enjoy huge distribution headroom



Source: Company, Ambit Capital research

Portfolio strategy: Frontal assault vs insulated categories

Campa's attack: Instead of employing a traditional "beachhead" strategy – growing a niche category before entering the mass market); e.g., Red Bull bypassing traditional colas to invent the premium energy drink space, or regional Indian brands like Lahori Zeera dominating ethnic flavours before incumbents could react – RCPL launched a frontal assault on the highly contested core CSD categories (Cola, Orange). It is supplementing this with secondary beachhead attempts via acquired niche brands (Sosyo, Raskik, and Shunya).

VBL's defence: VBL's portfolio mix inherently insulates its margins from RCPL's core cola price war. VBL has already capitalized on its own beachhead via Sting, which currently monopolizes the mass-market energy drink segment. With RCPL's capital and execution bandwidth currently bogged down in the traditional CSD fight, VBL's highly profitable energy and citrus (Mountain Dew) segments remain structurally shielded from disruption.

Exhibit 68: Campa has progressively filled the portfolio gaps

Category	Campa	PepsiCo / VBL	Coca-Cola	Parle Agro	Tata Consumer	Dabur	Others
Carbonated Soft Drinks (CSD)							
Cola	Campa Cola	Pepsi	Coca-Cola	X	X	X	X
Cola Zero	X	Pepsi Black	Coke Zero	X	X	X	X
Orange	Campa Orange	Mirinda	Fanta	X	X	X	X
Lemon	Campa Lemon	7UP / Mountain Dew	Sprite	X	X	X	X
Apple Sparkling	X	X	X	Appy Fizz	X	X	X
Energy / Sports / Functional Drinks							
Energy Drink	Campa Energy	Sting	Charged / Monster	X	X	X	Red Bull, Hell Energy
Sports Drink	X	Gatorade	X	X	Tata Gluco+	X	X
Electrolyte	Campa Cricket	X	X	X	X	X	X
Juices / Fruit Beverages							
Mango	X	Slice	Maaza	Frooti	X	Real	X
Mixed Fruit	X	Tropicana	Minute Maid	X	X	Real	B Natural
Apple	X	Tropicana	Minute Maid	Appy	X	Real	B Natural
Coconut Water	X	X	X	Safal	Tata Lyfe	Real Activ	Paper Boat
Indian / Ethnic Drinks							
Jeera	Opener Jeera	RimZim	RimZim		Fruski	X	Lahori
Nimbu	Opener Nimbu	Nimbooz	Minute Maid Nimbu		Tata Gluco	X	Paper Boat
Packaged Water							
Water	Sure	Aquafina	Kinley	Bailley	Himalayan / Copper	X	Bisleri
Mixers							
Soda	Bubbles	Eversee, Dukes	Kinley Soda	Bombay 99	X	X	Bisleri
Ginger Ale	X	X	Schweppes	Gunsberg	X	X	Gunsberg
Tonic Water	X	X	Schweppes	Bombay 99	X	X	Paper Boat
Ready-to-Drink							
Tea	Brew House Tea	Lipton Ice Tea	Fuze Tea	X	X	X	
Dairy Based							
Milkshake	X	Cream Bell	X	Smooth	X	X	Amul Kool

Source: Company, Ambit Capital research

Companies like Archian Foods (Lahori) and House of Bindu (Bindu) have carved out a niche by operating in the traditional Indian Beverage space. For Archian Foods and House of Bindu, Jeera flavour has been a standout SKU. While House of Bindu is largely focused on Southern India, and Lahori Jeera on the North and West of India, both companies aspire to scale nationally in the coming years.

Exhibit 69: Archian Foods and House of Bindu have a presence across the Indian flavour space

Source: Company, Ambit Capital research

Transitioning into Global FMCG play

VBL is transitioning from a pure-play Indian liquid bottler into a diversified global FMCG compounder. VBL has been the fastest-growing company in its larger FMCG peer set, driven by its completed pan-India consolidation and hyper-localized manufacturing moat. This will continue to insulate margins against competition and smooth out seasonal earnings volatility in India. We forecast VBL's Pan-African FMCG play to be the other major earnings driver. The ongoing transformation of its operations in Africa is expected to yield gradual margin improvement as VBL replicates its proven Indian manufacturing and distribution playbook. By initially capturing low-hanging operational levers, this strategy paves the way for structural EBITDA accretion. Initiate coverage with a BUY rating. Our DCF-based TP of ₹501 implies an 11%/12%/13% CY26-CY46E sales/EBIT/FCF CAGR. VBL would be a top pick in the Consumer Staples peer set. Our segmental preference is – Spirits > Consumer Staples > Beer > Paints.

Exhibit 70: We expect 12% sales/EBITDA CAGR over CY26-28E and a 27bps EBITDA margin improvement

₹ mn	CY22	CY23	CY24	CY25	CY26E	CY27E	CY28E	Comments
Net Sales	**131,731**	**160,426**	**200,077**	**216,854**	**249,272**	**282,731**	**318,064**	We expect VBL's sales to scale at 14% CAGR over CY25-28E driven by 13% volume growth and 1% realization growth
growth YoY	**49%**	**22%**	**25%**	**8%**	**15%**	**13%**	**12%**	
Net Sales (India)	*105,958*	*126,328*	*143,486*	*145,568*	*156,138*	*171,763*	*189,056*	
growth YoY	*61%*	*19%*	*14%*	*2%*	*7%*	*10%*	*10%*	
Volume (India)	*653*	*737*	*821*	*839*	*915*	*988*	*1,067*	
growth YoY	*44%*	*13%*	*11%*	*2%*	*9%*	*8%*	*8%*	
Net Sales (Int.)	*25,773*	*34,098*	*56,591*	*70,385*	*88,634*	*103,968*	*121,008*	
growth YoY	*16%*	*32%*	*66%*	*24%*	*26%*	*17%*	*16%*	
Volume (Int.)	*149*	*176*	*303*	*374*	*469*	*539*	*609*	
growth YoY	*30%*	*18%*	*72%*	*24%*	*25%*	*15%*	*13%*	
Gross margin	**52.5%**	**53.8%**	**55.5%**	**55.2%**	**54.9%**	**55.3%**	**55.6%**	Gross margin expansion would be limited due to high competitive intensity in India business
growth YoY	**-180**	**137**	**165**	**-30**	**-27**	**34**	**36**	
Gross margin (India)	*50.2%*	*52.6%*	*54.0%*	*53.6%*	*52.2%*	*52.3%*	*52.5%*	
growth YoY	*-236*	*238*	*139*	*-38*	*-139*	*11*	*20*	
Gross margin (Int.)	*61.8%*	*58.5%*	*59.3%*	*58.5%*	*59.5%*	*59.8%*	*60.2%*	
growth YoY	*247*	*-330*	*83*	*-87*	*102*	*32*	*36*	
EBITDA	**27,881**	**36,095**	**47,111**	**50,494**	**56,517**	**64,944**	**74,532**	We expect VBL's consolidated EBITDA margin to remain flattish over CY26-28E
growth YoY	**69%**	**29%**	**31%**	**7%**	**12%**	**15%**	**15%**	
EBITDA margin	*21.2%*	*22.5%*	*23.5%*	*23.3%*	*22.7%*	*23.0%*	*23.4%*	
growth YoY	*241*	*133*	*105*	*-26*	*-61*	*30*	*46*	
EBITDA margin (India)	*20.6%*	*23.6%*	*25.4%*	*25.9%*	*24.2%*	*24.5%*	*24.8%*	
growth YoY	*268*	*304*	*181*	*45*	*-165*	*27*	*34*	
EBITDA margin (Int.)	*23.7%*	*18.4%*	*18.8%*	*18.0%*	*20.1%*	*20.6%*	*21.4%*	
growth YoY	*232*	*-525*	*41*	*-80*	*207*	*53*	*77*	
PAT	**14,974**	**20,559**	**25,946**	**30,365**	**34,327**	**41,094**	**48,753**	
Pre Tax ROCE	**27%**	**28%**	**24%**	**19%**	**19%**	**21%**	**21%**	
Pre Tax CFO/EBITDA	**78%**	**85%**	**87%**	**87%**	**101%**	**98%**	**103%**	
RoE	**34%**	**35%**	**22%**	**17%**	**17%**	**17%**	**18%**	

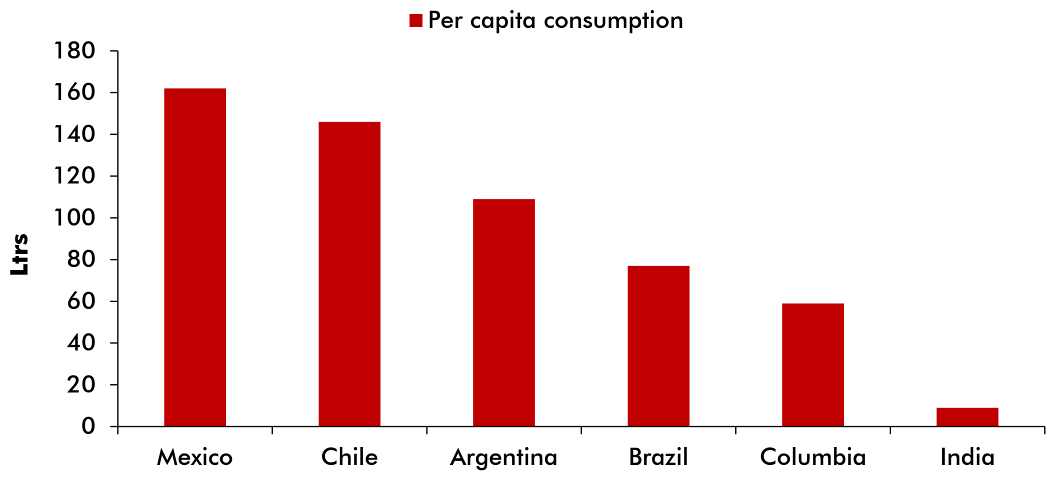
Source: Company, Ambit Capital research

LATAM benchmarking: VBL's superiority and likely business evolution

The Mexican beverage market serves as the gold standard for emerging market bottlers. Both Mexico and India feature bulging middle classes, high urbanization, and tropical climates. However, the level of organizational maturity differs significantly. VBL is currently delivering growth and margins that exceed its more mature Latin American peers. Mature bottlers like FEMSA and Arca Continental are primarily focused on "revenue management initiatives"—optimizing the price-pack mix and managing currency conversion headwinds —after already scaling portfolio and geographic expansion. VBL, conversely, is in the "Growth Phase," with the primary goal of distribution expansion and the recruitment of new consumers.

- Mexico is one of the most mature and profitable soft drink markets in the Coca-Cola system. The country boasts a high CSD per capita consumption of 162 litres per year vs. 7 litres in India, which is 65% above the Latin American average. Across major bottlers like Arca and KOF, the majority volume remains heavily concentrated in "Sparkling" (carbonated) beverages, supplemented by water and still beverages.

Exhibit 71: KOF and ARCA operate in mature markets with high per capita consumption



Source: Company, Ambit Capital research

Regional macroeconomic factors deeply split the evolution of the market:

- North Mexico (primarily serviced by Arca) is closely tied to the US economy, industrial production, exports, and nearshoring activities. This industrialization has translated to higher disposable income and denser, more efficient distribution routes, resulting in soft drink per capita consumption that is ~48% higher than in the South.
- South (primarily serviced by KOF) relies less on industrialization. It is more dependent on government investment, social benefit programs, and above-inflation minimum wage increases to drive consumer spending and beverage consumption.

Exhibit 72: Three major Coca-Cola bottlers in LATAM have diversified operations across countries

Country	KOF	Arca	Andina
Argentina	4%	3%	21%
Brazil	29%		29%
Chile			40%
Mexico	46%	46%	
USA		36%	
Central America	11%		
Ecuador		5%	
Columbia	8%		
Paraguay			10%
Peru	2%	10%	

Source: Company, Ambit Capital research

Exhibit 73: KOF expanded at a 9% CAGR over CY06-25 with consistent EBITDA margin in 19-21% range…

Mexican Peso (mn)	CY06	CY12	CY18	CY19	CY20	CY21	CY22	CY23	CY24	CY25	CY06-CY12	CY12-CY18	CY18-CY25
Sales	**57,738**	**147,739**	**182,342**	**194,471**	**183,615**	**194,804**	**226,740**	**245,088**	**279,793**	**291,746**	**17%**	**4%**	**7%**
Gross Profit	27,542	68,630	83,938	87,507	82,811	88,598	100,300	110,860	128,736	133,176	**16%**	**3%**	**7%**
Gross margin (%)	**47.7%**	**46.5%**	**46.0%**	**45.0%**	**45.1%**	**45.5%**	**44.2%**	**45.2%**	**46.0%**	**45.6%**			
EBITDA	12,219	27,199	34,310	33,950	33,364	37,890	41,802	44,316	52,632	56,587	**14%**	**4%**	**7%**
EBITDA margin	**21.2%**	**18.4%**	**18.8%**	**17.5%**	**18.2%**	**19.5%**	**18.4%**	**18.1%**	**18.8%**	**19.4%**			
Income (Loss) from Cont Ops	**5,053**	**13,898**	**11,704**	**12,630**	**10,368**	**16,331**	**19,626**	**20,226**	**24,549**	**25,016**	**18%**	**-3%**	**11%**
Net D/E	0.36	0.06	0.44	0.39	0.37	0.31	0.31	0.27	0.29	0.35			
Operating Cash Flow	7,266	22,380	23,609	27,838	30,108	29,023	33,194	41,019	40,841	28,160			
Free Cash Flow	16,351	12,404	13,692	16,423	20,438	19,293	15,782	20,565	15,525	4,835			

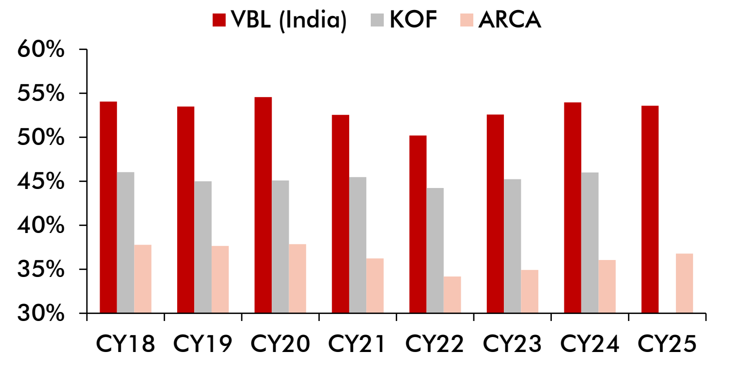
Source: Company, Ambit Capital research

Exhibit 74: …while ARCA expanded at 16% CAGR on a lower base

Mexican Peso (mn)	CY09	CY12	CY18	CY19	CY20	CY21	CY22	CY23	CY24	CY25	CY09-CY12	CY12-CY18	CY18-CY25
Sales	**24,234**	**56,269**	**158,953**	**165,041**	**171,586**	**185,746**	**209,961**	**215,772**	**239,573**	**250,258**	15%	19%	7%
Gross Profit	11,217	26,035	69,241	73,073	76,705	83,333	93,259	99,011	111,708	116,420	**15%**	**18%**	**8%**
Gross margin (%)	**46.3%**	**46.3%**	**43.6%**	**44.3%**	**44.7%**	**44.9%**	**44.4%**	**45.9%**	**46.6%**	**46.5%**			
EBITDA	4,891	11,903	27,797	31,601	33,966	36,453	40,479	44,536	49,811	51,066	**16%**	**15%**	**9%**
EBITDA margin	**20.2%**	**21.2%**	**17.5%**	**19.1%**	**19.8%**	**19.6%**	**19.3%**	**20.6%**	**20.8%**	**20.4%**			
Income (Loss) from Cont Ops	**2,451**	**5,276**	**10,821**	**11,744**	**12,574**	**15,089**	**18,790**	**21,155**	**23,800**	**23,970**	**14%**	**13%**	**12%**
Net D/E	0.10	0.21	0.29	0.23	0.17	0.13	0.14	0.18	0.12	0.22			
Operating Cash Flow	3,077	8,843	17,217	24,633	26,187	28,271	28,242	28,997	36,111	33,857			
Free Cash Flow	1,840	4,352	6,156	13,065	19,464	21,095	18,486	16,375	19,856	15,148			

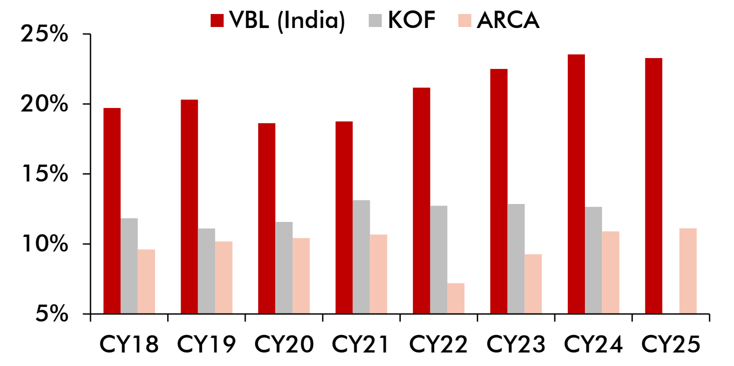
Source: Company, Ambit Capital research

Exhibit 75: VBL's India business has superior GM to scaled global bottlers…



Source: Company, Ambit Capital research

Exhibit 76: …and superior EBITDA margin



Source: Company, Ambit Capital research

- While Mexico remains one of the most profitable anchor markets for the global bottling system, the next phase of structural growth and margin expansion was driven by geographic diversification and rapid portfolio evolution. In Latin America, bottlers are increasingly leveraging markets like Brazil for healthy, long-term volume growth and Chile for defensive, high-per-capita stability. Across these diverse geographies, portfolio agility is emerging as the ultimate competitive moat.
- To mitigate regulatory headwinds—such as sugar taxes—and structurally improve gross margins, bottlers are aggressively transitioning toward low- and no-sugar variants. Furthermore, this portfolio evolution is moving beyond traditional carbonated soft drinks entirely. Agile bottlers are increasingly leveraging their extensive distribution infrastructures to push higher-margin energy drinks and value-added dairy, and aggressively cross-selling into packaged snacks and alcoholic beverages, transforming into comprehensive FMCG powerhouses.

Exhibit 77: Arca has expanded across LATAM and has diversified the portfolio…

ARCA	CY03	CY04	CY05	CY06	CY07	CY08	CY09	CY10	CY11	CY12	CY13	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23	CY25
Mexico				PET	Bokados				Arca + Contal	PetStar	Santa Clara (Dairy)		San Luis Sugar		Bokados Expansion	Monster	Del Valle					New CD
Peru													Lindley									
Argentina									Arca + Contal			Famaillá Sugar Mill										
Ecuador									Arca + Contal	Inalecsa		Machaci										
USA										Wise Foods				South West Beverages	Houston TX (SWB)				Fort Worth TX (SWB)			New CD Imperial LLC San Antonio
	Coke Acquisition/Investment	Other Acquisitions/Investments	Juice	Distribution	Water	Divestment/Discontinued	Non-carbonated	Merger														

Source: Company, Ambit Capital research

Exhibit 78: FEMSA is also playing a similar playbook

KOF	CY03	CY04	CY05	CY06	CY07	CY08	CY09	CY10	CY11	CY12	CY13	CY14	CY15	CY16	CY17	CY18	CY19	CY20	CY21	CY22	CY23	CY25
Mexico	Panamco	PET			Del Valle				Tampico / CIMSA	Santa Clara (Dairy)	Grupo Yoli	Fuze Tea		Monster	AdeS					Cristal		
Guatemala																BASA / Los Volcanes						
Brazil	Panamco				Del Valle	REMIL		Leão	SABB		Fluminense + Spaipa	Itabirito	Verde Campo	Vonpar	AdeS				CVI			
Argentina	Panamco				Del Valle									Monster	AdeS							
Colombia	Panamco				Del Valle		Brisa				Fuze Tea		Tocancipá	Monster	AdeS							
Uruguay																Monresa						
Venezuela	Panamco				Del Valle									Monster	AdeS	Discontinued						
Philippines															Coca-Cola Bottlers Philippines	Exit						
	Coke Acquisition/Investment	Other Acquisitions/Investments	Juice	Distribution	Water	Divestment/Discontinued	Non-carbonated	Merger														

Source: Company, Ambit Capital research

Exhibit 79: VBL's India business enjoys superior financial metrics despite a smaller scale than LATAM bottlers…

	VBL			ARCA			FEMSA		
	CY23	CY24	CY25	CY22	CY23	CY24	CY22	CY23	CY24
Revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%
Cost of revenue	54%	55%	55%	56%	54%	54%	56%	55%	54%
Gross profit	46.2%	44.5%	44.8%	44.4%	46.3%	46.0%	44.2%	45.2%	46.0%
EBITDA	22.5%	23.5%	23.3%	14.0%	15.5%	14.9%	12.7%	12.9%	12.7%
EBIT	18%	19%	18%	14%	15%	15%	13%	13%	13%
Other income	0%	1%	2%	2%	3%	2%	2%	3%	3%
Finance Cost	2%	2%	1%	3%	4%	4%	3%	3%	3%
Pre-tax income	17%	17%	19%	12%	14%	12%	12%	12%	13%
Income tax expense	4%	4%	4%	4%	5%	0%	3%	4%	4%
Net Income	13.1%	13.2%	14.1%	8.3%	9.1%	12.3%	8.8%	8.9%	8.3%
RoE	35%	22%	17%	12%	15%	17%	15%	16%	16%
RoCE	28%	24%	19%	14%	17%	14%	13%	14%	15%

Source: Company, Ambit Capital research

Exhibit 80: …and other Indian bottlers and local brands…

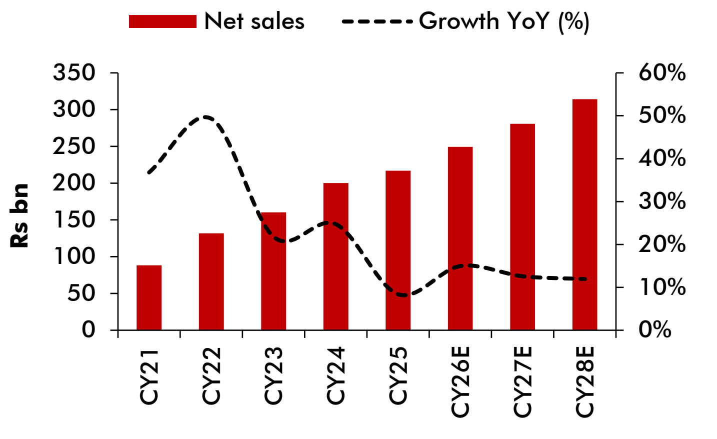
	VBL			HCCB			Other Coca-Cola Bottlers			Archian Food (Lahori Jeera)		
	CY23	CY24	CY25	FY23	FY24	FY25	FY22	FY23	FY24	FY23	FY24	FY25
Revenue	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Cost of revenue	54%	55%	55%	54%	53%	52%	64%	66%	66%	64%	60%	60%
Gross profit	46.2%	44.5%	44.8%	45.7%	46.6%	48.3%	35.6%	34.2%	34.3%	36.0%	40.4%	40.2%
EBITDA	22.5%	23.5%	23.3%	12.4%	12.7%	12.9%	12.9%	12.2%	12.3%	15.2%	18.5%	17.2%
EBIT	18%	19%	18%	8%	7%	6%	8%	9%	8%	6%	17%	16%
Other income	0%	1%	2%	1%	2%	1%	1%	1%	1%	1%	1%	0%
Finance Cost	2%	2%	1%	0%	0%	0%	2%	2%	3%	0%	0%	0%
Pre-tax income	17%	17%	19%	8%	8%	7%	7%	8%	6%	7%	17%	16%
Income tax expense	4%	4%	4%	2%	6%	2%	1%	2%	1%	2%	4%	4%
Net Income	13.1%	13.2%	14.1%	6.6%	2.0%	5.0%	5.1%	5.5%	4.7%	5.4%	12.9%	11.8%
RoE	35%	22%	17%	15%	4%	7%	17%	24%	17%	6%	16%	19%
RoCE	28%	24%	19%	16%	12%	8%	12%	16%	9%	7%	21%	25%

Source: Company, Ambit Capital research

We model 13% CAGR growth over CY26-28E

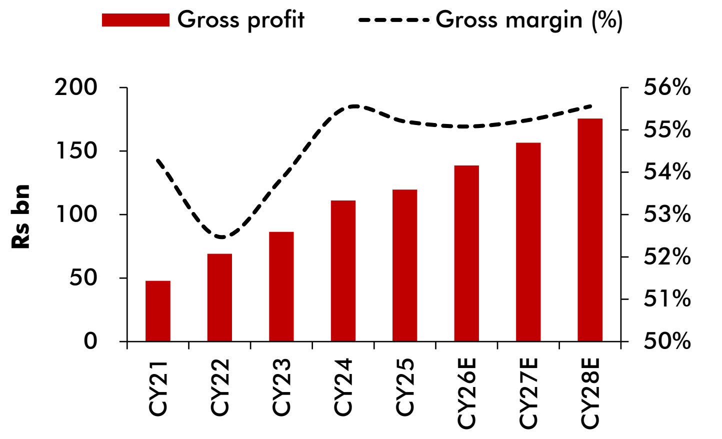
- We expect domestic revenue to be driven by (a) resilient CSD volumes (b) a strategic pivot toward hydration and value-added dairy, as Sting's historical hyper-growth normalizes. Further domestic upside relies on premium energy rollouts and localized product introductions (e.g., Jeera formulations) to counter regional challengers.
- Internationally, CY26 topline growth will be anchored by the South African consolidation (BevCo and Twizza) and the scale-up of localized snack manufacturing across Morocco, Zambia, and Zimbabwe. This snacking pivot is structurally accretive, yielding margins of 27-28% versus 22-24% for core beverages.
- We expect constrained consolidated realization improvements, +1%; the favourable mix-shift from Indian hydration and dairy will be offset by limited CSD pricing power in the domestic market and the higher volume contribution of lower-realization South African assets

Exhibit 81: Sales to grow at a 13% CAGR over CY26-28E…



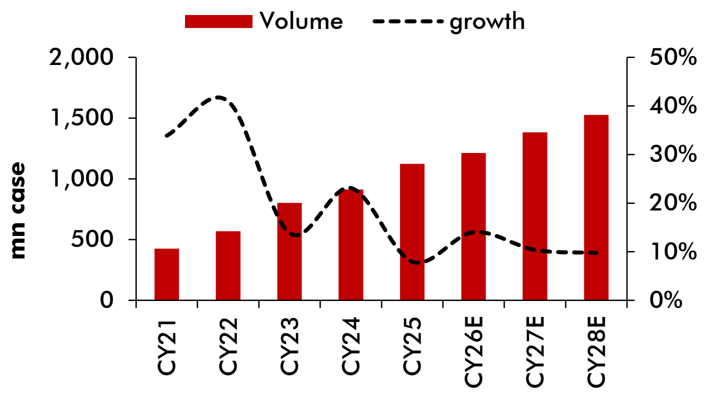
Source: Company, Ambit Capital research

Exhibit 82: …with a steady GM profile



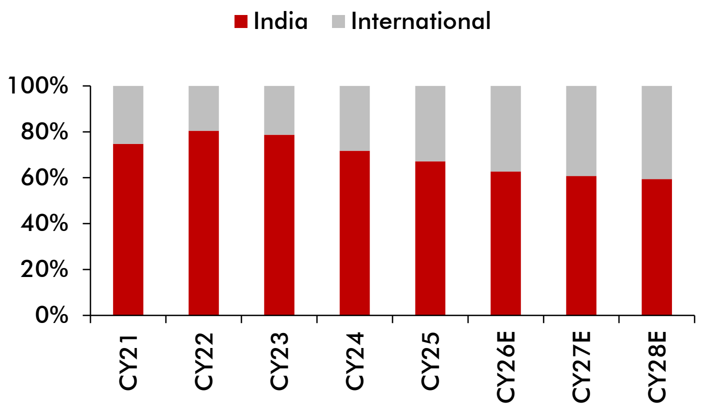
Source: Company, Ambit Capital research

Exhibit 83: Volume growth to expand at 12% CAGR over CY26-28E…



Source: Company, Ambit Capital research

Exhibit 84: …domestic sales will still form ~59% of consolidated sales by CY28E

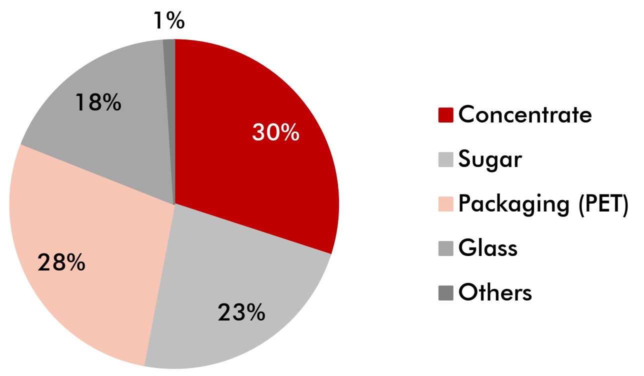


Source: Company, Ambit Capital research

Gross margin engineering: Backward integration and structural hedging

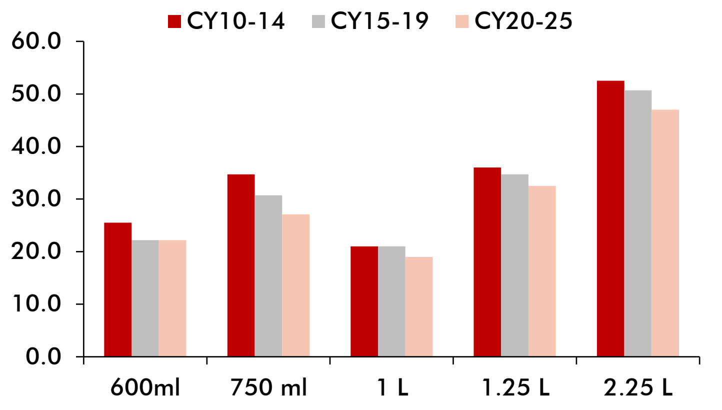
- VBL's gross margin trajectory is strictly a function of realization growth and rigorous COGS management. To hedge against crude-linked PET volatility, VBL executes massive off-season procurement (Nov-Dec), strategically absorbing higher short-term working capital and interest costs to lock in substantial peak-season COGS savings.
- Margin capture is further insulated by extensive backward integration; by manufacturing preforms, closures, and corrugated boxes in-house, VBL eliminates third-party conversion margins and freight inefficiencies, while permanently reducing per-unit plastic usage through continuous light-weighting.
- To navigate the CY25 regulatory mandate for 30% recycled PET, VBL's upcoming joint venture with Indorama will internalize food-grade rPET production, shielding the balance sheet from open-market premiums.
- Crucially, the core raw material cost—PepsiCo's concentrate—operates as a natural inflation hedge. Because concentrate pricing has remained hard-coded at ~20% of net wholesale realization, any retail price hikes executed by VBL protect absolute margins without arbitrary cost escalation from the parent.

Exhibit 85: COGS mix for VBL



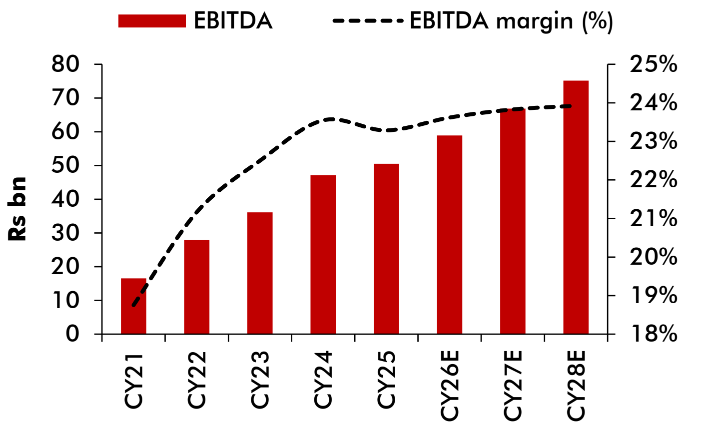
Source: Company, Ambit Capital research

Exhibit 86: Reduction in the weight of Bottles and Closures



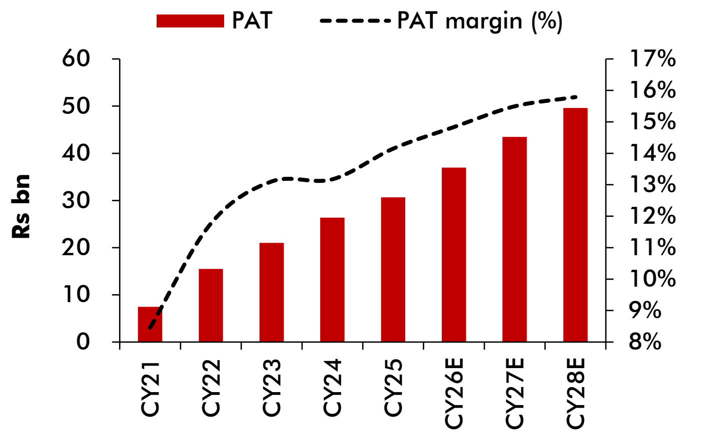
Source: Company, Ambit Capital research

Exhibit 87: EBITDA margin expansion would be capped due to higher variable expenses



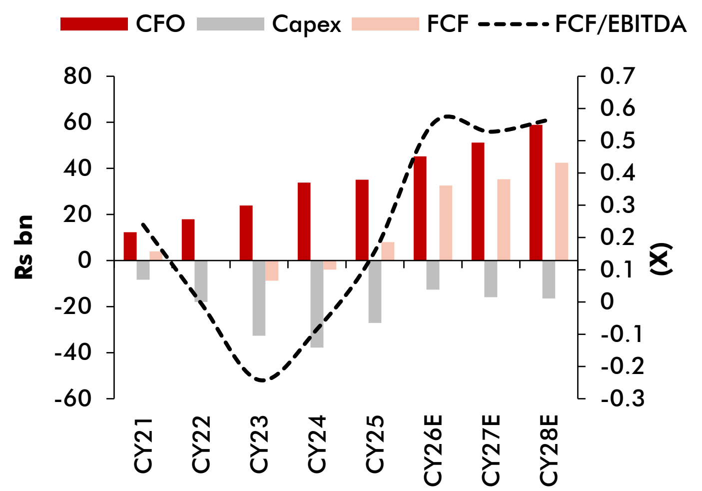
Source: Company, Ambit Capital research

Exhibit 88: ..PAT flow-through to be aided by lower interest costs



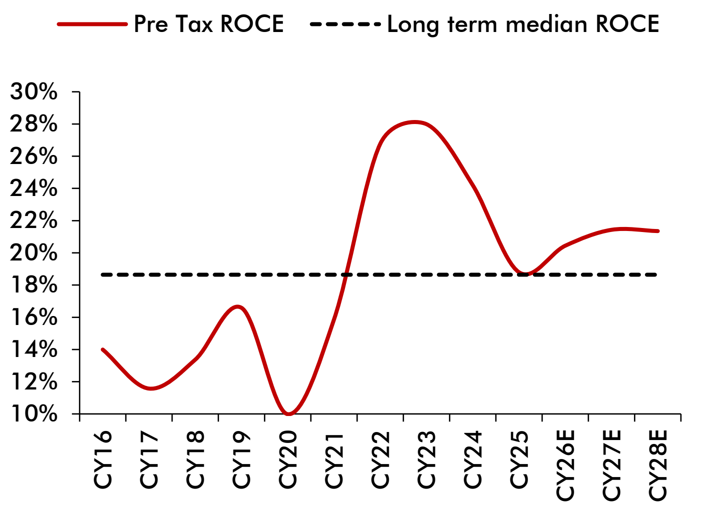
Source: Company, Ambit Capital research

Exhibit 89: FCF generation accelerates as plants' capacity scales up 50%+



Source: Company, Ambit Capital research

Exhibit 90: ROCE to improve as VBL sweats plant



Source: Company, Ambit Capital research

Exhibit 91: VBL has consistently rerated and enjoys multiple closer to other FMCG peers on the back of superior execution

Company	1yr fwd P/E			Current PE vs historical avg			
	10yr avg	5yr avg	3yr avg	Current	10yr avg	5yr avg	3yr avg
VBL	40	54	60	**38**	-5%	-30%	-37%
Nestle	65	67	69	70	8%	4%	1%
Hindustan Unilever	47	49	47	42	-10%	-13%	-10%
Britannia	44	46	48	46	4%	-1%	-5%
Dabur	41	43	42	35	-14%	-19%	-17%
Godrej Consumer	40	43	45	40	1%	-7%	-11%
Marico	40	43	43	45	14%	6%	5%
Tata Consumer	39	51	53	51	29%	-2%	-4%
Procter & Gamble Hygiene and Health Care Ltd	52	52	51	31	-40%	-40%	-39%
Emami	28	26	26	19	-31%	-25%	-25%
RDCK	31	43	50	46	48%	7%	-7%
United Spirits	47	50	52	44	-6%	-12%	-15%
United Breweries	52	54	56	61	17%	12%	8%
Asian Paints	50	54	50	44	-13%	-20%	-12%
Berger Paints	49	50	46	36	-26%	-28%	-21%
Jyothy Labs Ltd	27	28	31	19	-31%	-32%	-39%
Colgate-Palmolive India Ltd	39	41	44	35	-10%	-14%	-20%
ITC Ltd	20	20	22	18	-11%	-11%	-19%

Source: Company, Ambit Capital research

Exhibit 92: We are broadly in line with consensus for CY26/27E and above it for CY28E

₹ mn, unless specified	CY26E			CY27E			CY28E		
	Ambit	Cons.	vs Cons.	Ambit	Cons.	vs Cons.	Ambit	Cons.	vs Cons.
Revenue	249,272	250,241	0%	282,731	282,112	0%	318,064	309,565	3%
GM	54.9%	55.0%	-8bps	55.3%	55.0%	26bps	55.6%	55.0%	62bps
EBITDA	56,517	57,743	-2%	64,944	65,491	-1%	74,532	71,484	4%
EBITDA margin	22.7%	23.1%	-43bps	23.0%	23.2%	-23bps	23.4%	23.1%	33bps
PAT	34,327	34,432	0%	41,094	40,127	2%	48,753	43,306	13%
PAT margin	13.8%	13.8%	-3bps	14.5%	14.2%	33bps	15.3%	14.0%	133bps
EPS	10.1	10.2	0%	12.2	11.9	2%	14.4	13.0	11%

Source: Company, Ambit Capital research

Exhibit 93: Prefer VBL in the Consumer Staples peer set, while we overall prefer Spirits> Consumer Staples > Beer > Paints

Bloom Ticker	Companies	Mcap ($ mn)	CMP (in ₹)	TP (in ₹)	Ambit Rating	P/E (x)			CAGR (FY26-28E)			RoE		
						FY26E	FY27E	FY28E	Sales	EBITDA	EPS	FY26E	FY27E	FY278E
FMCG														
BRIT IN EQUITY	Britannia Industries Ltd	14,125	5,505	6,121	SELL	53	45	40	11%	13%	15%	53%	58%	60%
GCPL IN EQUITY	Godrej Consumer Products Ltd	10,995	1,009	1,450	BUY	47	39	31	10%	18%	23%	17%	20%	21%
HUVR IN EQUITY	Hindustan Unilever Ltd	52,184	2,085	2,435	SELL	46	41	37	7%	9%	12%	21%	24%	26%
MRCO IN EQUITY	Marico Ltd	10,190	737	844	BUY	53	43	37	7%	19%	20%	44%	49%	52%
NEST IN EQUITY	Nestle India Ltd	24,314	1,184	1,280	SELL	73	59	52	10%	14%	18%	70%	70%	68%
TATACONS IN EQUITY	Tata Consumer Products Ltd	11,062	1,049	1,216	SELL	64	51	43	10%	16%	22%	8%	10%	11%
DABUR IN EQUITY	Dabur India Ltd	7,963	421	539	SELL	40	36	32	9%	11%	11%	17%	18%	19%
BECTORS IN Equity	Mrs Bectors Food Specialities Ltd	593	181	270	BUY	38	30	23	15%	22%	29%	12%	13%	15%
VBL IN EQUITY*	**Varun Beverages Ltd**	**14,010**	**389**	**501**	**BUY**	**38**	**32**	**27**	**14%**	**14%**	**17%**	**17%**	**17%**	**18%**
CLGT IN EQUITY	Colgate-Palmolive India Ltd	5,438	1,877	Na	NR	38	35	32	7%	8%	9%	80%	84%	88%
HMN IN EQUITY	Emami Ltd	1,867	402	Na	NR	21	20	18	8%	10%	8%	29%	27%	27%
ITC IN EQUITY	ITC Ltd	38,895	291	Na	NR	18	18	17	6%	4%	3%	29%	28%	29%
JYL IN Equity	Jyothy Labs Ltd	821	210	Na	NR	22	19	18	8%	10%	11%	16%	17%	17%
PG IN Equity	Procter & Gamble Hygiene & Health Care Ltd	3,283	9,493	Na	NR	35	32	29	9%	10%	11%	108%	102%	97%
Paints														
APNT IN EQUITY	Asian Paints Ltd	22,669	2,218	2,475	SELL	49	45	39	9%	12%	12%	20%	21%	22%
BRGR IN EQUITY	Berger Paints India Ltd	5,136	414	495	SELL	41	46	38	7%	7%	4%	18%	19%	20%
Alcobev														
RDCK IN Equity	Radico Khaitan Ltd	3,756	2,633	3,601	BUY	62	48	39	11%	18%	26%	19%	21%	22%
UBBL IN EQUITY	United Breweries Ltd	4,458	1,583	1,655	SELL	96	57	45	12%	34%	46%	10%	16%	19%
Stationery														
DOMS IN Equity	Doms Industries Ltd	1,482	2,292	2,450	SELL	59	47	37	22%	23%	23%	19%	20%	21%
FLAIR IN EQUITY	Flair Writing Industries Ltd	328	292	460	BUY	23	18	15	14%	19%	21%	12%	13%	14%
Global Bottler														
KOF MM	Coca Cola Femsa	20,077	96	Na	Na	14	13	13	6%	6%	4%	18%	18%	19%
AC* MM	Arca Continental	18,831	201	Na	Na	16	14	13	5%	6%	9%	16%	16%	17%
Coca Cola HBC	Coca Cola HBC	20,446	4,242	Na	Na	17	15	14	9%	11%	9%	25%	23%	22%
CCOLA TI Equity	Coca Cola Icecek	4,302	68	Na	Na	9	8	7	25%	23%	16%	23%	24%	21%
ANDINAB CC Equity	Embotelladora Andina SA	3,784	3,910	Na	Na	13	11	11	6%	8%	9%	24%	24%	24%

*Source: Company, Ambit Capital research, *VBL CY25-28E CAGR*

Catalysts and Risks

Catalysts

- **Distribution expansion and visi-cooler penetration improvement in India:** We expect VBL to expand distribution by 10-12% for the next few years and further improve penetration to 30%+. We expect India/International business to grow by 10%/26% in CY26.
- **South African consolidation ("Twizza" & Dairy acquisitions):** VBL is aggressively turning South Africa into its next major growth engine, and recent M&A activity will reflect in CY26. The successful completion of the Twizza acquisition boosts VBL's South African production capacity by 70-80% and establishes economies of scale to challenge entrenched incumbents. Twizza's scale-up will add ~2% to CY26 sales.
- **Strong free cash flow generation:** In CY24 and CY25, VBL invested ~₹38bn in capex to commission new greenfield plants across India. Because these plants now provide roughly ~50% capacity headroom, VBL does not need to execute major domestic Capex in CY26. This will lead to FCF generation of ~₹32bn.

Key risks

- **Irrational competitive pricing:** If Campa Cola and regional disruptors (like Lahori Zeera) aggressively expand their manufacturing density and sustain deep trade discounting, VBL may be forced to push its lower-margin ₹ 10 PET packs beyond its strict 5-7% portfolio cap, compressing overall domestic EBITDA margins.
- **Commodity inflation:** A sustained spike in crude oil prices (driving up PET resin packaging costs) or global sugar prices could squeeze gross margins, especially if heightened competition prevents VBL from passing these costs on to consumers.
- **African Macroeconomic & Currency Volatility:** VBL’s international growth engine is exposed to volatile frontier markets. Severe currency devaluations (e.g., the RTGS in Zimbabwe), difficulties in repatriating profits, or sudden geopolitical instability in high-growth regions like the DRC could result in heavy forex losses and margin dilution.

Accounting & ESG

Based on Ambit's [proprietary forensic accounting framework](), Varun Beverages has featured in the 'Zone of Safety' (D5) on accounting quality. On Greatness score, Varun Beverages scores '100%' and features in 'Zone of Greatness'. Key contributors to accounting scores include (1) stable depreciation, 2) lower miscellaneous expenses, 3) lower related-party transactions, & 4) lower contingent liabilities. Penalizing range-bound cash conversion (85-90%) despite impressive revenue growth, high CWIP/Gross block & negative FCF/Revenue due huge capex of ₹115bn. With capex normalised, we expect gradual improvement in these ratios. The company is one of the few large caps that have voluntarily appointed joint auditors. Key review areas include FCF movement.

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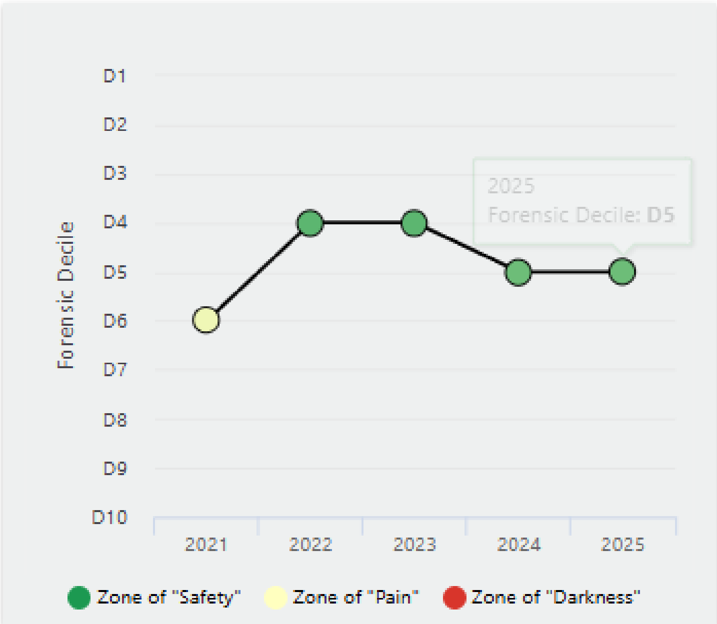
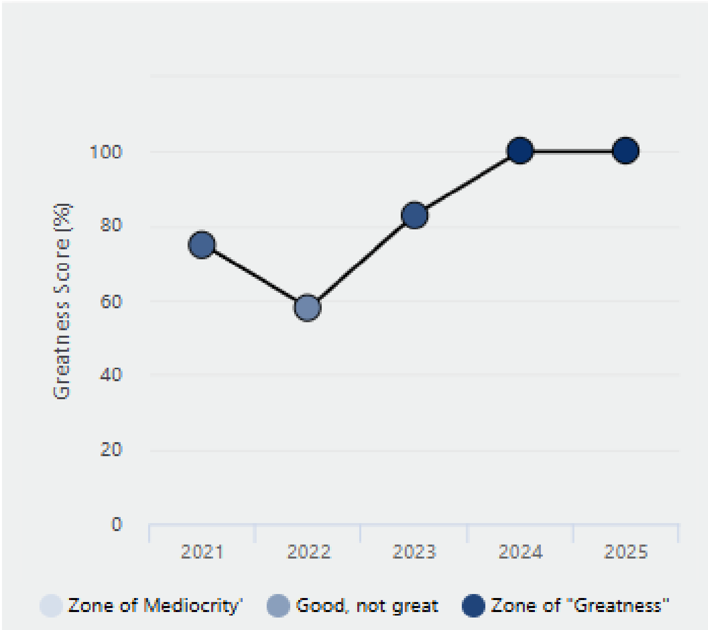
Exhibit 94: VBL continues to feature in "Zone of Safety" on accounting quality…



Source: Company, Ambit Capital research, Read CY25 as CY24

Exhibit 95: …and improved to "Zone of Greatness" from "Good, not great" with 100% score



Source: Company, Ambit Capital research

Exhibit 96: On accounting quality, VBL scores higher, ranks in the top quartile vs peers

Ratios	Flags	Company						Median peers @@				
		CY15-20*	CY21	CY22	CY23	CY24	CY25	FY21	FY22	FY23	FY24	FY25
P&L mis-statement checks												
pre-tax CFO/EBITDA#@	GREEN	91%	82%	78%	85%	87%	87%	96%	87%	105%	99%	78%
Volatility in depreciation rate (bps)	GREEN	-7	(22)	46	-35	24	3	8	-41	-9	34	12
Provision for doubtful debtors as % of debtors o/s > six months	AMBER		10%	13%	12%	10%	5%	23%	59%	45%	3%	6%
Balance sheet mis-statement checks												
Cash yield	GREEN	5%	5%	6%	2%	2%	1%	17%	26%	23%	25%	42%
Contingent liabilities as % of net worth	GREEN	11%	7%	4%	3%	2%	2%	1%	0%	2%	2%	1%
Specific cash outflows checks												
Miscellaneous expenses as % of total revenues	GREEN	0%	0%	0%	0%	0%	0%	1%	0%	0%	1%	1%
Capital work in progress**/gross block##	GREEN	1%	6%	6%	16%	7%	1%	4%	7%	3%	1%	2%
FCF/revenue#	AMBER	0%	4%	0%	-5%	-2%	0%	4%	1%	4%	5%	3%
Related parties sales/overall sales	GREEN		1%	2%	1%	1%	1%	1%	1%	1%	1%	2%
Related parties purchased/overall COGS	GREEN		5%	5%	4%	2%	2%	2%	4%	5%	5%	5%
KMP Remuneration as % of PAT	GREEN	5%	4%	3%	2%	2%	2%	10%	16%	11%	7%	3%
Group assets as % of total assets												
Audit quality checks												
Non-audit fees as proportion of total fees (standalone)	AMBER		13%	22%	26%	29%	30%	12%	14%	17%	16%	23%
% assets not audited by main auditor	AMBER		24%	23%	23%	32%	35%	3%	4%	5%	5%	4%
% revenues not audited by main auditor	AMBER		31%	25%	27%	36%	40%	0%	1%	3%	3%	4%
Growth in revenue/growth in auditor remn. (standalone)	AMBER		(6)	2	(8)	1	1	2.5	1.9	0.6	(2.0)	(5)
Association (no.of years) with current auditor	GREEN	5	9,5	10,1	1,2	2,3	3,4	3	2	3	4	4
Qualification or Emphasis of matter (EOM) in audit report (Yes/No)	GREEN		NO	NO	NO	NO	NO					

*Source: Company, Ambit Capital research; *either cumulative or median numbers depending upon the ratios, #cumulative numbers are considered for CY15-20; @EBITDA is considered ex of other income; ** includes intangible assets under construction and gross block of intangibles. ## gross block is ex of goodwill and freehold land; @@ peers include Britannia Industries, Bikaji International, Pratap Snacks*

Exhibit 97: VBL reported better revenue growth vs peers but lags in margins

Ratios (median/CAGR)	CY16-20		CY21-25	
	Company	Peer median@@	Company	Peer median@@
Sales growth*	19%	11%	25%	10%
EBIT margins	12%	9%	18%	10%
EBIT growth*	27%	16%	35%	10%
CE turns	1.1	2.5	1.3	2.3
CFO growth *	31%	25%	34%	3%
Net debt/equity	0.9	-0.1	0.9	0.0
Capex/depreciation	1.5	-1.8	2.9	-1.9

Source: Company, Ambit Capital research, @@ peers include Britannia Industries, Bikaji International, Pratap Snacks

Exhibit 98: VBL has been taking the relevant initiatives on environmental & social aspects; ranks higher in governance vs peers

Parameters	Unit	Flags	Company			Sector median@@		
			CY23	CY24	CY25	CY22	CY23	CY24
Environment								
Emission intensity	TCo2e/volume or TCo2e/₹mn	GREEN	2.37	1.71	1.44	1.70	1.23	1.05
Water intensity	KL/volume or KL/₹mn	GREEN	25.8	7.1	5.2	5.6	6.0	5.9
% of freshwater withdrawal in stressed locations	%	GREEN	53%	150%	149%	0%	0%	0%
Waste intensity	MT/volume or MT/₹mn	AMBER	1.10	1.13	1.04	0.10	0.12	0.12
% hazardous waste in total waste	%	GREEN	1%	1%	1%	0%	0%	0%
% waste NOT recycled/re-used	%	GREEN	15%	26%	1%	27%	5%	11%
Key target 1XX (e.g. net-zero or carbon intensity reduction)			2050	2050	2050			
Key target 2XX (e.g. recyclable packaging)			2025	2025	2026			
Key target 3XX (e.g. water positivity)			2025	2025	2030			
Social								
Women participation - employees	% women employees/total employees	AMBER	4.6%	5.9%	5.6%	10%	6%	5%
Women participation – workers	% women workers/total workers	AMBER	6.6%	6.2%	6.2%	23%	24%	27%
Attrition - Permanent employees male	As mentioned in BRSR	AMBER	19%	20%	25%	32%	25%	24%
Attrition - Permanent employees female	As mentioned in BRSR	AMBER	15%	20%	35%	13%	9%	27%
Attrition - Permanent workers male	As mentioned in BRSR	AMBER	4%	8%	19%	3%	9%	10%
Attrition - Permanent workers female	As mentioned in BRSR	AMBER	0%	3%	13%	0%	18%	23%
Governance								
Split of role - CEO/MD and Chairman (Yes/No)	NA	GREEN	Yes	Yes	Yes	Yes	Yes	Yes
% women directors on board	NA	AMBER	22%	20%	0%	13%	14%	17%
Non ID on audit committee (Yes/No)	NA	GREEN	No	No	No	Yes	Yes	Yes
Median association (no. of years) of ID	No. of years							
Number of voluntary director resignations	Nos.	AMBER	0	1	1	1	1	0
Sitting fees -ID	₹mn		5.1	8.6	8.6	2.5	3.6	5.1
Sitting fees -NED	₹mn		5.1	8.6	8.6	2.5	3.6	5.1

Source: Company, Ambit Capital research, @@ peers include Britannia Industries, Bikaji International, Pratap Snacks

Exhibit 99: Explanation of flags on the first page

Field	Score	Comments
Accounting	GREEN	VBL's cash conversion remained range-bound (85-90%) despite impressive revenue growth. Depreciation rate remained steady, related-party transactions & miscellaneous expenses are immaterial. Due to the capex phase, there is an increase in CWIP as a % of gross block and a reduction in FCF/revenue. Cash yield stood at ~2%. VBL has featured in the 'Zone of Safety' on accounting quality.
Predictability	AMBER	Earnings predictability is to some extent affected by seasonality dependence in recent times and a 40% exposure to the international market.
Earnings Momentum	AMBER	VBL witnessed consensus EBITDA downgrades in CY26/27 over the past eight quarters due to the Campa Cola competition.

Source: Company, Ambit Capital research

Varun Beverages (VBL IN, BUY)

Valuation Methodology

We value Varun Beverages using DCF methodology, considering cash flow till CY45, using WACC of 11% and terminal growth rate of 7% to arrive at the TP of ₹501.

Risks

- Prolonged deep discounting by RCCL
- Volatility in International markets

Financials - CONSOLIDATED

Income statement

Year to December (₹ mn)	CY24	CY25	CY26E	CY27E	CY28E
Revenue	**200,077**	**216,854**	**249,272**	**282,731**	**318,064**
-growth (Rev)	24.7%	8.4%	14.9%	13.4%	12.5%
Cost of goods sold	89,047	97,154	112,365	126,499	141,150
Gross profit	**111,029**	**119,700**	**136,908**	**156,232**	**176,914**
Gross profit growth	28.5%	7.8%	14.4%	14.1%	13.2%
Employee expenses	18,850	22,007	25,442	28,521	31,663
Other expenses	45,068	47,198	54,948	62,767	70,719
EBITDA	**47,111**	**50,494**	**56,517**	**64,944**	**74,532**
-growth (EBITDA)	30.5%	7.2%	11.9%	14.9%	14.8%
Depreciation	9,474	12,165	13,885	14,767	15,768
EBIT	**37,637**	**38,329**	**42,632**	**50,177**	**58,763**
-growth (EBIT)	28.5%	1.8%	11.2%	17.7%	17.1%
Other income	1,213	3,523	3,809	4,441	5,581
EBIT (including other income)	**38,850**	**41,853**	**46,441**	**54,619**	**64,344**
Finance costs	4,504	1,696	1,000	400	320
Profit before tax	**34,346**	**40,157**	**45,441**	**54,219**	**64,024**
Profit before tax (adjusted)	**34,346**	**40,157**	**45,441**	**54,219**	**64,024**
-growth (PBT)	25.4%	16.9%	13.2%	19.3%	18.1%
Tax	7,988	9,476	10,865	12,975	15,171
PAT	**26,358**	**30,681**	**34,577**	**41,244**	**48,853**
Profit after tax (adjusted)	**26,358**	**30,681**	**34,577**	**41,244**	**48,853**
-growth (PAT)	25.4%	16.4%	12.7%	19.3%	18.4%
Minority interest	397	256	190	90	40
Consolidated profit after tax	**25,961**	**30,425**	**34,387**	**41,154**	**48,813**
-growth (CPAT)	26.2%	17.2%	13.0%	19.7%	18.6%
EPS (basic) (₹)	7.8	9.1	10.2	12.2	14.4
EPS (diluted)	7.8	9.1	10.2	12.2	14.4

Source: Ambit Capital research, Company

Balance sheet

Year to December (₹ mn)	CY24	CY25	CY26E	CY27E	CY28E
Property, plant and equipment	119,857	152,064	150,721	151,795	152,386
Capital work in progress	11,667	2,708	2,708	2,708	2,708
Other intangible assets	14,161	15,525	15,525	15,525	15,525
Total fixed assets	**145,684**	**170,297**	**168,954**	**170,028**	**170,619**
Non-current investments	595	1,743	1,743	1,743	1,743
Other non-current assets	6,324	4,407	5,053	5,720	6,425
Total non-current assets	**152,603**	**176,447**	**175,750**	**177,491**	**178,787**
Inventories	27,912	29,518	34,833	39,215	43,756
Trade receivables	8,458	12,490	14,956	16,964	19,084
Cash and cash equivalents	24,501	19,985	32,969	52,260	82,046
Other current assets	17,768	16,967	19,494	22,102	24,855
Total current assets	**78,640**	**78,960**	**102,252**	**130,541**	**169,742**
Total assets	**231,243**	**255,407**	**278,002**	**308,032**	**348,529**
Share capital	6,763	6,764	6,764	6,764	6,764
Other equity	159,335	189,023	214,895	245,843	282,759
Minority interest	1,298	1,623	1,813	1,903	1,943
Total equity	**167,396**	**197,410**	**223,471**	**254,509**	**291,465**
Long-term borrowings	8,407	5,404	2,404	1,404	404
Long-term provisions	1,894	1,905	5,892	6,683	7,518
Deferred tax liabilities (net)	4,683	5,948	5,948	5,948	5,948
Other non-current liabilities	3,618	4,002	902	1,023	1,151
Total non-current liabilities	**18,602**	**17,258**	**15,146**	**15,058**	**15,021**
Short-term borrowings	15,236	14,837	6,723	2,723	723
Trade payables	15,604	14,013	17,978	20,240	22,584
Other current liabilities	13,009	11,262	12,945	14,683	16,518
Short term provisions	1,395	628	1,738	819	2,218
Total current liabilities	**45,244**	**40,739**	**39,385**	**38,464**	**42,043**
Total liabilities	**63,846**	**57,998**	**54,531**	**53,522**	**57,063**
Total equity and liabilities	**231,243**	**255,407**	**278,002**	**308,032**	**348,529**

Source: Ambit Capital research, Company

Cash flow statement

Year to December (₹ mn)	CY24	CY25	CY26E	CY27E	CY28E
Profit before tax	**34,346**	**40,157**	**45,441**	**54,219**	**64,024**
Depreciation	9,474	12,165	13,885	14,767	15,768
Interest income	(419)	(318)	-	-	-
Interest expense	4,504	1,696	1,000	400	320
Other items	(124)	(4,014)	-	-	-
Working capital changes	(6,694)	(5,711)	(3,307)	(5,673)	(3,579)
Taxes	(7,276)	(8,882)	(10,865)	(12,975)	(15,171)
Cash flow from operations	**33,811**	**35,093**	**46,154**	**50,739**	**61,363**
(Net) capital expenditure	(37,790)	(27,391)	(12,542)	(15,841)	(16,360)
Acq./(disp.) of Investments	(6,009)	(134)	(60)	(60)	(60)
Interest/dividend Received	281	460	-	-	-
Other items	350	(284)	-	-	-
Cash flow from investments	**(43,168)**	**(27,349)**	**(12,602)**	**(15,901)**	**(16,420)**
Net short-term borrowings	1,857	(1,743)	-	-	-
Net long-term borrowings	(37,373)	(3,264)	(11,114)	(5,000)	(3,000)
Issuance of equity	75,119	88	-	-	-
Interest paid	(4,650)	(1,587)	(1,000)	(400)	(320)
Dividends paid	(3,248)	(5,073)	(8,455)	(10,146)	(11,837)
Other items	(2,170)	(1,086)	-	-	-
Cash flow from financing	**29,535**	**(12,665)**	**(20,569)**	**(15,546)**	**(15,157)**
Opening cash balance	**2,422**	**22,663**	**19,985**	**32,969**	**52,260**
Net change in cash	**20,179**	**(4,921)**	**12,984**	**19,292**	**29,786**
Closing cash balance	**22,601**	**17,742**	**32,969**	**52,260**	**82,046**
Free cash flow to firm	**(3,979)**	**7,702**	**33,613**	**34,898**	**45,003**

Source: Ambit Capital research, Company

Preferred Ratios

Year to December (₹ mn)	CY24	CY25	CY26E	CY27E	CY28E
Gross margin	55.5%	55.2%	54.9%	55.3%	55.6%
EBITDA margin	23.5%	23.3%	22.7%	23.0%	23.4%
EBIT margin	18.8%	17.7%	17.1%	17.7%	18.5%
Net profit margin	13.2%	14.1%	13.9%	14.6%	15.4%
Net debt/equity	-	-	(0.1)	(0.2)	(0.3)

Source: Ambit Capital research, Company

Ratio analysis

Year to December (₹ mn)	CY24	CY25	CY26E	CY27E	CY28E
Gross margin	55.5%	55.2%	54.9%	55.3%	55.6%
EBITDA margin	23.5%	23.3%	22.7%	23.0%	23.4%
EBIT margin	18.8%	17.7%	17.1%	17.7%	18.5%
Net profit margin	13.2%	14.1%	13.9%	14.6%	15.4%
Net debt/equity	-	-	(0.1)	(0.2)	(0.3)
Net debt/EBITDA	-	-	(0.4)	(0.7)	(1.1)
Cash conversion days	108	107	110	108	107
Inventory days	113	111	112	111	110
Receivable days	15.4	21	22	22	22
Payable days	21	25	23	25	25
Gross block turnover	1.4	1.1	1.1	1.2	1.3
pre-tax CFO/EBITDA	87.2%	87.1%	101%	98.1%	103%
pre-tax RoCE	24.2%	18.9%	19.1%	20.6%	21.5%
post-tax RoCE	16.9%	13.1%	13.1%	14.1%	14.8%
ROE (%)	22.4%	17.0%	16.6%	17.4%	18.0%

Source: Ambit Capital research, Company

Valuation parameters

Year to December (₹ mn)	CY24	CY25	CY26E	CY27E	CY28E
PE	50	43	38	32	27
EV/EBITDA	28	26	23	19.6	16.6
EV/EBIT	35	34	30	25	21
EV/sales	6.6	6.1	5.2	4.5	3.9
P/B	7.9	6.7	5.9	5.2	4.5

Source: Ambit Capital research, Company

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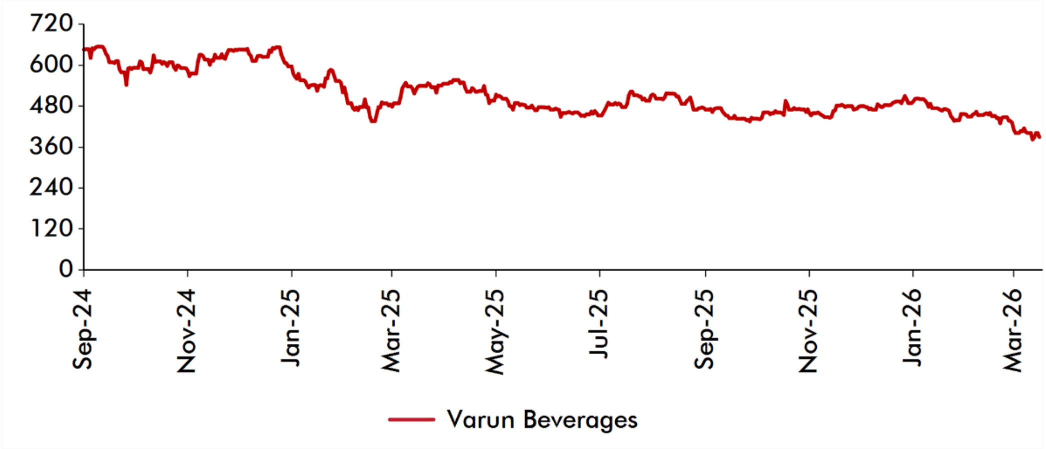
Varun Beverages (VBL IN, BUY)



Source: ICE, Ambit Capital research

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Investment Rating	Expected return (over 12-month)
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