

Ebitdad Rajat

Varun Beverages Ltd



Its Time for South Africa, Acquisition of BevCo, 100% Equity Stake Deal.

- **Acquiring BevCo was a Strategic move** Afterall for VBL, since it has great presence in the market, it wont take much time and Efforts for VBL to sell its products in the markets.
- BevCo is a healthy company and **showing upward trajectory in terms of both Sales Volumes and It's Financials**. Risk mitigation is 70% of the total sales is coming up from their own brands. So, there is **no dependency on single product**.
- **Per capita consumption of carbonated soft drinks (CSD) is at 244 per person (8oz)** suggests more room for growth, indicating that the market may not be saturated.

Source: Company Filings

Q3 & 9M CY2023 Result Update

- **Revenue from operations grew by 21.8% YoY in the Q3 of CY2023** to the level of INR 38,705 million. Despite Unseasoned Rains and Demand Challenges
- **Sales volume are growing at 15.4% to 220 million cases in Q3 of CY2023, up from 190 million cases** in the comparable quarter of the previous year. **Growth was driven by in both Indian and international markets**. And, CSD constituted 72%, juice 5% and packaged drinking water at a level of 23% of total sales volume in Q3 of CY2023.
- **Gross margins during the Q3 was improved by 163 basis points to the level of 55.3% from 53.7%**, mainly due to the softening of PET chip prices, which Results in result of higher gross margins and operational efficiencies.
- **Depreciation increased by 11.5% and finance costs increased by 38% in Q3** on account of capitalization of assets and setting up of new production facilities.
- **PAT increased by 30% to INR 5,140.6 million in Q3 of 2023 from INR 3,954.8 million in Q3 of CY2022**, driven by growth in revenue from operations and improvement in margins.

Source: Company Filings

Peer Comparison

Companies	Mcap	LTM Multiples			FY24 Multiples			FY25 Multiples		
		EV/ SALES	EV/ EBITDA	P/E	EV/ SALES	EV/ EBITDA	P/E	EV/ SALES	EV/ EBITDA	P/E
Varun Beverages Ltd	1,61,460	9.33x	40.87x	68.63x	8.33x	34.66x	69.00x	7.35x	29.50x	56.45x
Nestle India Ltd	2,63,866	12.34x	51.26x	88.87x	10.98x	44.73x	81.46x	10.09x	36.15x	71.76x
Britannia Industries	1,281,88	7.18x	35.41x	50.66x	6.99x	31.48x	51.64x	6.75x	28.80x	44.02x
Marico Ltd	69,918	6.98x	32.57x	49.72x	6.71x	29.77x	43.36x	6.38x	27.02x	39.07x
Dabur India Ltd	98,589	8.08x	37.08x	56.21x	7.83x	35.62x	54.88x	7.51x	34.01x	54.24x
Hindustan Uniliver Ltd	6,23,690	9.59x	40.25x	61.72x	8.45x	38.37x	52.78x	7.95x	35.09x	47.57x
ITC	5,84,064	7.76x	20.37x	29.25x	7.51x	18.98x	27.46x	6.64x	17.35x	23.04x

Source: Own Calculation

CMP : 1260
Target: 1549 (23%)

Key Data

CMP	₹1,260
Market Cap	₹1,63,584
Book Value	₹53.92
Face Value	5.00
P/E ratio	81.85
Industry P/E ratio	58.21
BSE Code	540180
NSE Ticker	VBL

Industry

Sector : Fast Moving Consumer Goods
Sub Sector : Food and Beverages.
Classification: Large cap.

Financials Summary

Y/E DEC	FY23F	FY24F	FY25F
Sales	16,598	20,333	24,196
EBITDA	3,419	4,189	4,985
PBT	2,366	3,004	3,678
EV/EBITDA	40.87x	34.66x	29.50x

Shareholding pattern (%)

As On	Dec-23	Dec-22
Promoter	63.09%	63.90%
FII	26.58%	26.45%
DII	3.58%	3.42%
Public	6.74%	6.20%

Ebitdad Rajat

Website to Download Full Report:

www.Ebitdadrajat.in

Research Analyst (SEBI-Unregistered)

Rajat Kulshrestha

Ebitdadrajat@gmail.com

+91 7042408216

Ebitdad Rajat

Varun Beverages Ltd



Unaffected Rains: The Weather Effect

- For any Beverage Company, second quarter which is April to June is usually very big, Last year it was a big disaster due to unseasoned rains, led to lesser outdoor activities and social gatherings, and also consumers generally tend to prefer hot beverages during cooler and rainy weather.
- Rainfall experienced in the North last year was an abnormal occurrence. And Company can't transport its products from this plant to the south and west due to the high freight costs.
- Unseasoned rains throughout the Quarter has affected the sales more for Juice Category as compare to Carbonated Soft Drink (CSD), but in Q3, market has rebounded saw a substantial growth:
 - Nimbooz was grown by 100%.
 - Gatorade was grown by 50%.
- These two Brands were the standout performer in the third quarter,

Source: Company Filings

Key Revenue Segments

Product Wise Breakup

Particular	2018A	2019A	2020A	2021A	2022A	2023F	2024F	2025F
Carbonated Soft Drink	75.60%	70.60%	73%	70.30%	70%	69.00%	73.00%	70.00%
Packaged Drinking Water	18%	22.70%	21%	23.30%	23%	23.00%	23%	24.00%
Juice Based Drinks	0%	0%	0%	6.40%	0%	5.00%	4%	6.00%
Non-Carbonated Soft Drinks	6.40%	6.70%	6%	0%	7%	3%	0%	0%

Source: Tijori Finance

Location Wise Breakup

Particular	2018A	2019A	2020A	2021A	2022A	2023F	2024F	2025F
India	77.00%	79.00%	79.00%	72.55%	78.10%	78.00%	76.00%	75.00%
Rest of the World	23.00%	21.00%	21.00%	27.45%	21.90%	22.00%	24.00%	25.00%

Source: Tijori Finance

Sting as a Top Selling Beverage Brand in India

- It is the highest selling Beverage Brand in the country much above Thumbsup or Sprite
- Sting combines the best of both worlds – premium quality at an affordable price. When you grab that Sting, you're not just sipping on a beverage; you're diving into a nationwide favorite that packs a punch without breaking the bank.
- This Drink commands a higher selling price than our cola, yet it's just a fraction 1/3 cost of Red Bull in the Energy Drink Segment and also Combines the best of both worlds – premium quality at an affordable price.
- When you grab that Sting, you're not just sipping on a beverage; you're diving into a nationwide favorite that packs a punch without breaking the bank.

This Drink has done Extremely well for the company

Source: Company Filings

Ebitdad Rajat

Varun Beverages Ltd



Financial Summary

Profit and Loss Statement

Amt is in INR (Crore) Only

Particulars	2018A	2019A	2020A	2021A	2022A	2023F	2024F	2025F	2026F	2027F
Sales	5,105	7,130	6,450	8,823	13,173	16,598	20,333	24,196	27,946	31,300
<i>Sales Growth</i>		40%	-10%	37%	49%	26%	23%	19%	15%	12%
COGS	2,244	3,219	2,764	4,035	6,261	7,635	9,353	11,130	12,855	14,398
Gross Profit	2,861	3,911	3,686	4,788	6,912	8,963	10,980	13,066	15,091	16,902
<i>Gross Margin</i>	56.04%	54.85%	57.15%	54.27%	52.47%	54.00%	54.00%	54.00%	54.00%	54.00%
EBITDA	1,007	1,448	1,202	1,654	2,788	3,419	4,189	4,985	5,757	6,448
<i>EBITDA Margin</i>	12%	13%	10%	13%	16%	16%	16%	17%	17%	17%
Depreciation	385	489	529	531	617	753	853	953	1,087	1,206
EBIT	622	959	673	1,123	2,171	2,666	3,336	4,032	4,670	5,242
<i>EBIT Margin</i>	12%	13%	10%	13%	16%	16%	16%	17%	17%	17%
Interest	213	310	281	185	186	300	332	354	375	385
Profit Before Tax	434	697	362	1,007	2,024	2,366	3,004	3,678	4,295	4,857
Net Income	300	473	357	746	1,550	1,774	2,253	2,759	3,221	3,643

Source: Own Calculation

Balance Sheet Statement

Amt is in INR (Crore) Only

Particulars	2018A	2019A	2020A	2021A	2022A	2023F	2024F	2025F	2026F	2027F
Equity Share Capital	182.64	288.69	288.69	433.03	649.55	649.55	649.55	649.55	649.55	649.55
Minority Interest	8.00	31.00	65.00	117.00	113.00	113.00	113.00	113.00	113.00	113.00
Total equity	2006.50	3359.42	3589.00	4196.91	5215.38	6794.55	8795.55	11242.55	13931.55	16970.55
Non Current Liabilities	2284.27	2809.04	2434.64	2364.95	2434.00	2519.98	2610.98	2705.98	2725.98	2745.98
Long Term Borrowings	1,980	2,355	1,980	1,813	1,727	1,813	1,904	1,999	2,019	2,039
Lease Liabilities	0	0	24	31	165	165	165	165	165	165
Provisions	105.26	170.34	203.91	208.54	204.11	204.11	204.11	204.11	204.11	204.11
Current Liabilities	1740.88	2220.29	2434.95	3020.00	3969.18	4713.13	5101.13	5605.00	6012.13	6279.13
Short Term Borrowings	378	467	714	1,529	1,968	2,490	2,643	2,904	3,074	3,130
Trade Payables	317	478	511	712	824	1,046	1,281	1,525	1,761	1,972
Short Term provisions	16.02	29.98	33.17	49.74	29.19	29.19	29.19	29.19	29.19	29.19
Current tax liability	32.50	15.20	3.89	13.94	75.57	75.57	75.57	75.57	75.57	75.57
Total Liabilities	6031.0	8388.8	8458.6	9581.9	11618.6	14027.7	16507.7	19553.5	22669.7	25995.7
Current Assets										
Inventory	578	882	929	1,448	1,994	2,456	3,008	3,182	3,675	4,116
Trade Receivables	128	173	242	221	299	455	557	663	766	858
Cash	43	138	105	151	154	1,733	2,899	5,103	6,722	8,944
Total Current Assets	1,141	1,673	1,799	2,536	3,403	5,273	7,205	9,805	12,132	14,988
Non-Current Assets										
Plant Purchase & Equipment	3,860	5,893	5,827	5,155	5,442	6,704	7,366	7,928	8,832	9,417
Right of Use of Asset	-	-	-	582	916	831	747	662	578	493
Total Non Current Assets	4,890	6,717	6,659	7,045	8,214	8,754	9,301	9,748	10,537	11,006
Total Assets	6,031.3	8,389.1	8,458.1	9,580.8	11,617.0	14,027.2	16,506.3	19,553.1	22,669.6	25,994.3

Source: Own Calculation

Ebitdad Rajat

Varun Beverages Ltd



Financial Summary

Cash Flow Statement

Amt is in INR (Crore) Only

Particulars	2018A	2019A	2020A	2021A	2022A	2023F	2024F	2025F	2026F	2027F
Profit before Tax	430.78	691.91	362.51	1006.61	2023.64	2449.0	3105.0	3798.0	4435.0	5013.0
Depreciation and Amortization	385.07	488.63	528.7	531.26	617.19	752.6	853.0	953.0	1087.0	1207.0
Interest Expense	198.59	297.19	264.1	170.52	162.62	300.0	332.0	354.0	375.0	385.0
Tax Paid	-73.29	-120.12	-77.52	-124.23	-373.33	-592.0	-751.0	-919.0	-1074.0	-1214.0
Changes in Working Capital	-50.06	-85.11	-110.85	-268.74	-585.19	-466.0	-532.0	-152.0	-472.0	-422.0
Cash Flow From Operations	999.78	1307.59	1011.99	1231.42	1790.03	2443	3007	4034	4351	4969
Net Purchase of Fixed Assets	-808.77	-733.08	-535.61	-815.45	-1749.9	-1900	-1400	-1400	-1875	-1677
Net Purchase of Investments	0	0.14	0	0.07	0.37	0	0	0	0	0
Interest Received	5.55	4.62	8.69	13.25	23.24	0	0	0	0	0
Cash Flow From Investing Activities	-937.41	-2319.93	-471.67	-1007.55	-1768.5	-1900	-1400	-1400	-1875	-1677
Net Proceed Long Term Borrowings	732.34	559.8	-459.75	213.96	340.36	85.98	91	95	20	20
Net Proceed Short Term Borrowings	24.29	88.86	246.7	-85.37	-0.8	522	154	260	171	56
Interest Paid	-188.6	-303.49	-277.35	-179.15	-171.68	-300	-332	-354	-375	-385
Dividends Paid	-45.6	-69.01	-72.17	-108.26	-162.39	-279	-353	-432	-672	-760
Cash Flow From Financing Activities	-84.39	1107.34	-573.73	-177.69	-17.95	28.98	-440	-431	-856	-1069

Source: Own Calculation

Financial Ratios

Particulars	2018A	2019A	2020A	2021A	2022A	2023F	2024F	2025F	2026F	2027F
Current Ratio	0.66x	0.75x	0.74x	0.84x	0.86x	1.12x	1.41x	1.75x	2.02x	2.39x
Quick Ratio	0.32x	0.36x	0.36x	0.36x	0.35x	0.60x	0.82x	1.18x	1.41x	1.73x
Return on Assets	5%	6%	4%	8%	13%	13%	14%	14%	14%	14%
Return on Equity	15%	14%	10%	18%	30%	26%	26%	25%	23%	21%
Return on Capital	5%	6%	4%	8%	13%	13%	14%	14%	14%	14%
Return on Common Equity	15%	14%	10%	18%	30%	27%	26%	25%	23%	22%
EPS	2.31	3.64	2.75	5.74	11.93	13.66	17.34	21.24	24.79	28.04
Gross Margin	56%	55%	57%	54%	52%	54%	54%	54%	54%	54%
EBITDA Margin	12%	13%	10%	13%	16%	16%	16%	17%	17%	17%
EBIT Margin	12%	13%	10%	13%	16%	16%	16%	17%	17%	17%
Net Profit Margin	6%	7%	6%	8%	12%	11%	11%	11%	12%	12%

Source: Own Calculation



Valuation and Risk

Amt in INR (Rupees only)

Particulars	Gordon Growth Method	Exit Multiple
DCF Valuation Intrinsic Value	928.34	673.54

Particulars	CCM-High	CCM-Low
Trading Comps Range	1,026.86	850.74

Source: Own Calculation

Key takeaways from Valuations and it's Risk

- The DCF model considered parameters such as revenue growth rates, operating margins, and capital expenditures, providing a holistic view of VBL's future cash flow potential. **The model yielded an intrinsic value of 928 (Gordan Growth Method) and 673 (Exit Multiple Method) per share**, emphasizing the underlying value of VBL's operations and financial outlook.
- Simultaneously, I have applied the Trading Comps Model, benchmarking VBL against industry peers through key multiples like P/E and EV/EBITDA. **The Trading Comps Model suggested a valuation range of Rs 1026 to Rs 850 per share**, offering valuable insights into VBL's competitive standing within the market.
- As I present this valuation, it is crucial to recognize the dynamic nature of the market. Regular monitoring and reassessment will be essential to adapt to evolving risks and market conditions.

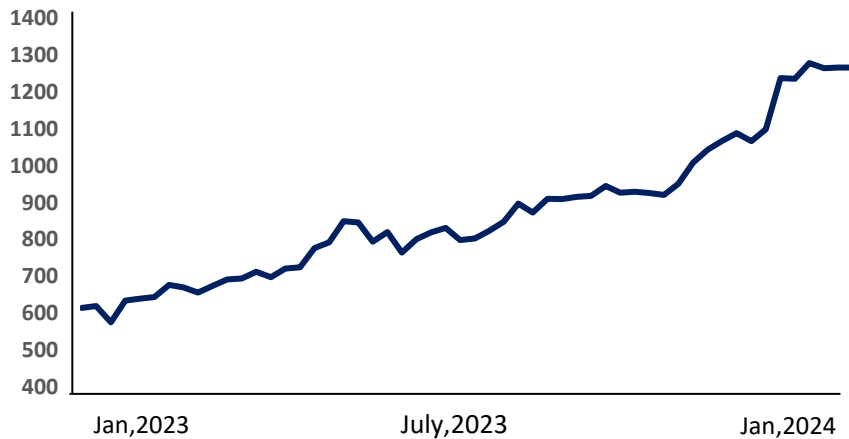
Ebitdad Rajat

Varun Beverages Ltd



Price Performance

VBL Price Chart (Jan,2023 – Jan,2024)



Source: Yahoo Finance

Technical Analysis Trends

Particular	Short Term	Medium Term	Long Term
Trend	Bearish	Sideways	Bullish
Resistance	1299	1352	1549
Support	1223	1193	1200

Source: Own Analysis

Historical Performance

Data is on Daily Basis

1 Week	-0.37%
1 Month	0.56%
3 Months	36.08%
YTD	1.90%
1 Year	104.50%
3 Years	518.27%

Source: Moneycontrol

Pivot Levels

Data is on Daily Basis

Type	R1	R2	PP	S1	S2
Classic	1299	1352	1259	1223	1193
Fibonacci	1280	1293	1259	1238	1226
Camarilla	1272	1277	1259	1262	1257

Source: Moneycontrol

Moving Average

Data is on Daily Basis

5	1,254.50
10	1,265.36
20	1,256.42
50	1,154.64
100	1,040.66
200	919.63

Source: Moneycontrol

Key takeaways from Price Performance

- The price chart for Company indicates a Sideways trend over the 1 day timeframe.
- The stock has experienced a consistent upward movement, reflecting positive investor sentiment and strong market demand especially after the Q3 results of FY2023.
- Notable support levels include 1193 and 1200 where the stock has shown resilience and rebounded in the past.
- A notable Sideways channel observed in Varun Beverage in a Daily timeframe.
- The Stock has become Multibagger from last 3 Year's and has delivered more than 500%.



Disclaimer

The following analysis on Varun Beverages Limited is provided for educational purposes only and should not be considered as investment advice. The information presented herein is based on publicly available data and sources believed to be reliable. However, no representation or warranty, expressed or implied, is made as to its accuracy, completeness, or reliability.

This equity research on Varun Beverages Limited does not constitute a recommendation or solicitation to buy, sell, or hold any securities or financial instruments. It is essential to understand that investing in securities involves risks, and past performance is not indicative of future results.

Before making any investment decisions, it is strongly recommended to seek the guidance of a SEBI registered financial advisor or qualified professional who can assess your specific financial situation, risk tolerance, and investment objectives. They can provide personalized advice based on your individual circumstances.

The analysis provided herein is subject to change without notice and may not be updated regularly. The future performance of Varun Beverages Limited or any other securities mentioned in this research may differ from the information presented due to various factors, including market conditions, economic trends, and company-specific developments.

The author of this report (Rajat Kulshrestha) do not assume any liability for any direct or indirect losses or damages that may arise from the use of this research or Varun Beverages Limited on the information provided herein. Investors are solely responsible for their investment decisions and should conduct their own research and analysis before making any financial commitments.

The use of any trademarks, logos, or brand names in this research is for illustrative purposes only and does not imply endorsement or affiliation with the respective owners.

By accessing and reading this research, you automatically acknowledge and agree to the terms of this disclaimer. If you do not agree with these terms, please refrain from using this research.