

We maintain BUY on VBL, while hoisting our TP by ~15% to Rs620 (from Rs540) on 5-6% EPS increase led by PAT beat of 11% and addition of Twizza. We also increase our TP multiple, by ~10% to 45x, led by shedding of margin concerns (upsizing of packs/RM inflation). Despite a high base, consolidated EBITDA grew strongly at ~21%, helped by ~16% growth in India and ~40% growth in the International business. With a favorable climate so far, the commentary suggested even better growth trends in Q2TD which, along with a low base (May/Jun-26), bodes well for a strong growth uplift in CY26. VBL is also better placed in terms of margin (vs peers), with strategic stocking of PET and lower discounting in a strong demand environment – this was reflected in reduction of the volume-value gap to ~150bps (vs ~400bps in Q4) and EBITDA margin gain of ~60bps in Q1. The only headwind is an increase in gasoline cost, which might raise logistics cost in coming quarters. VBL's ahead-of-the-curve investment in distribution/capacity expansion (up ~50%) is a key competitive edge when the global supply chain is encountering disruption. FCF generation is likely to significantly improve, as CY26 organic capex is expected at ~Rs5bn.

#### All-round beat led by volume growth and better than expected realization

VBL's revenue grew ~18% to Rs65bn (~6% beat to our estimate), led by ~37% growth in International revenue and ~11% growth in India operations. Encouragingly, India volume growth increased 14.4%, led by initiatives such as pack upsizing, selective price-point launches in identified markets to onboard new consumers, and new launches in the energy- and juice-based drink segments; International volume was up 21.4% YoY, leading to consolidated volume growth of 16.3%. Consolidated realization at Rs174.1/case was up 1.6%, supported by better realization in International business (up ~9%) primarily due to favorable currency movement; realization in the Domestic business was down 1.5%, mainly due to product upsizing. India realization, though, was better than expected due to lower discounting and premiumization of the product portfolio. Consolidated gross margin was up by ~60bps YoY, led by higher share of low sugar/no sugar at 63% (vs 59% in Q1CY25). EBITDA margin was up by 55bps at 23.3% (~100bps higher vs our estimate) led by gross-margin expansion and operating leverage.

#### Inventory levels to support margins; strong traction in NCB portfolio

VBL's commentary on margin outlook is assuring, as the company has mitigated geopolitical and input cost risks by maintaining high inventory levels (up to ~6 months), ensuring limited near-term impact and enabling margin management through efficiencies and calibrated discounting. Apart from maintaining margins, the company remains focused on driving growth, led by continued expansion of its distribution network, with addition of ~0.5mn outlets targeted in CY26 + new product launches. New launches like A-Rush and Sting Classic are seeing strong traction, with better than expected demand, though aluminium-can shortage remains a constraint. The non-carbonated beverage (NCB) portfolio is scaling up well, with dairy (60-70%), Nimbooz (50-60%), and Tropicana PET (>100%) delivering robust growth.

#### Varun Beverages: Financial Snapshot (Consolidated)

| Y/E Dec (Rs mn)     | CY24    | CY25    | CY26E   | CY27E   | CY28E   |
|---------------------|---------|---------|---------|---------|---------|
| Revenue             | 200,077 | 216,854 | 261,228 | 298,252 | 337,284 |
| EBITDA              | 47,111  | 50,494  | 60,376  | 68,781  | 78,186  |
| Adj. PAT            | 25,946  | 30,365  | 35,475  | 42,428  | 50,842  |
| Adj. EPS (Rs)       | 8.0     | 9.0     | 10.5    | 12.5    | 15.0    |
| EBITDA margin (%)   | 23.5    | 23.3    | 23.1    | 23.1    | 23.2    |
| EBITDA growth (%)   | 30.5    | 7.2     | 19.6    | 13.9    | 13.7    |
| Adj. EPS growth (%) | 26.2    | 12.4    | 16.8    | 19.6    | 19.8    |
| RoE (%)             | 22.0    | 16.8    | 16.8    | 17.3    | 17.7    |
| RoIC (%)            | 22.3    | 16.3    | 17.1    | 19.5    | 22.4    |
| P/E (x)             | 65.0    | 57.8    | 49.5    | 41.4    | 34.5    |
| EV/EBITDA (x)       | 35.9    | 34.9    | 29.2    | 25.6    | 22.5    |
| P/B (x)             | 10.1    | 9.0     | 7.7     | 6.6     | 5.7     |
| FCFF yield (%)      | (1.1)   | (0.1)   | 1.7     | 2.1     | 2.5     |

Source: Company, Emkay Research

|                       |        |
|-----------------------|--------|
| Target Price – 12M    | Mar-27 |
| Change in TP (%)      | 14.8   |
| Current Reco.         | BUY    |
| Previous Reco.        | BUY    |
| Upside/(Downside) (%) | 19.5   |

| Stock Data              | VBL IN     |
|-------------------------|------------|
| 52-week High (Rs)       | 544        |
| 52-week Low (Rs)        | 381        |
| Shares outstanding (mn) | 3,382.1    |
| Market-cap (Rs bn)      | 1,755      |
| Market-cap (USD mn)     | 18,629     |
| Net-debt, CY26E (Rs mn) | (19,407.4) |
| ADTV-3M (mn shares)     | 6.5        |
| ADTV-3M (Rs mn)         | 3,075.8    |
| ADTV-3M (USD mn)        | 32.7       |
| Free float (%)          | 36.0       |
| Nifty-50                | 24,092.7   |
| INR/USD                 | 94.2       |

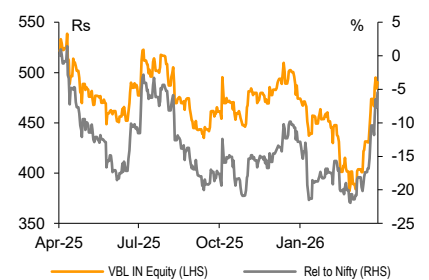
#### Shareholding, Mar-26

|               |           |
|---------------|-----------|
| Promoters (%) | 59.4      |
| FPIs/MFs (%)  | 19.5/14.4 |

#### Price Performance

| (%)           | 1M   | 3M   | 12M   |
|---------------|------|------|-------|
| Absolute      | 33.3 | 10.0 | (0.6) |
| Rel. to Nifty | 26.2 | 15.0 | (0.8) |

#### 1-Year share price trend (Rs)



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## Earnings call KTAs

### Demand, volume growth, and outlook

- Demand remained encouraging in India supported by the company's wide distribution reach, strengthened execution, and continued investment in manufacturing capacity and chilling infrastructure.
- Consumption is considerably strong currently, and is seeing an increase in liter terms as well as in the number of bottles. The company expects 2Q to be better than 1Q.

### Realizations and pricing

- Realization per case improved 1.6% at the consolidated level, supported by improved realizations in international territories primarily due to favorable currency movement.
- Realization per case in India declined 1.5%, primarily due to volume growth initiatives such as upsizing of packs and selective price-point launches in targeted markets to onboard new consumers.
- The Rs10 price-point is less than 2% of total volume. It has been launched only in markets where there is stress or to ensure adequate support to distributors.

### Raw material, costs, and margins

- Raw material impact because of geopolitical issues in international markets is likely to be negligible as the company is stocked up adequately and normally carries 6 months of inventory (an edge compared to competition). Though, there could be marginal impact on the India business, where the company is looking to offset the same by reducing discounts and turning more efficient.
- VBL is completely covered for Q2 as well partly for Q3, in terms of inventory.
- Aluminium-can salience is less than 2%. The company has entered a contract to procure a reasonable quantity of cans, though at higher cost.
- Sugar prices have been consistent in India. Internationally, sugar prices have come down with some benefit on the RM cost in the international business.

### Product portfolio and category performance

- Dairy is growing 60–70%, Nimbooz at 50–60%, and Tropicana PET growing ~100%.
- *Adrenaline Rush* has done phenomenally well, as demand is better than expected; however, there is some shortage faced due to shortage of cans.
- The company has launched Sting in the cans format, which has also seen higher than expected demand. Sting Classic launched in PET bottles has also received good response, but was available in the market only at start-April. The company to see benefit from the launch in Q2.

### Distribution and reach expansion

- The beverage industry is expanding significantly, adding ~1mn chilling equipment in the market annually, half of which is being added by Coke, Campa, and VBL combined, with the rest by individual outlets themselves.
- In terms of outlets, VBL has indicated addition of 0.5mn outlets on its CY25 base of 4mn.
- The company does not over-push water, as its focus is on maintaining basic margins. However, the company ensures that water is serviced adequately in outlets where it provides visicoolers.

### Capacity, capex, and manufacturing

- The facilities commissioned over last year have stabilized well and are expected to support growth and enhance operating efficiencies going forward.
- Cost of production has considerably reduced in new larger plants (vs old smaller plants).
- Expected capex at Rs5-6bn in CY26.

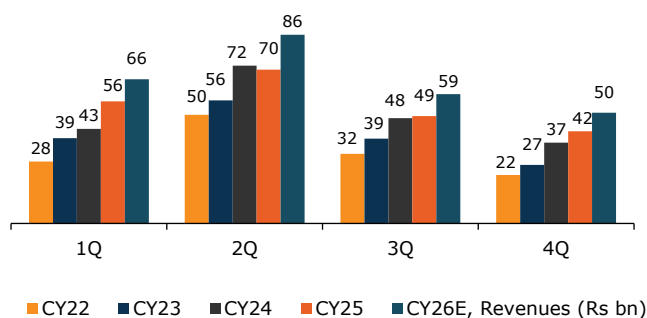
## Story in charts

**Exhibit 1: VBL – SOTP-based valuation**

| Parameter   |            |
|---|------------|
| Mar-28E EPS - Existing business (Rs)  | 13.2       |
| TP multiple - Existing business (x)   | 45         |
| <b>[A] Target Price - Existing business (Rs)</b>                            | <b>600</b> |
| Delta Corporation - Beer revenue (USD mn)                                   | 581        |
| Delta Corp Operating margin - Beer business (%)                             | 20         |
| VBL potential beer business revenue (assuming 25% of Delta revenue; USD mn) | 145        |
| VBL potential operating margin (%)  | 20         |
| VBL potential EBITDA (USD mn)   | 29         |
| USD-INR conversion rate (Rs)  | 93         |
| VBL potential EBITDA (Rs mn)  | 2,702      |
| TP Multiple - Africa Beer business (x)                                      | 25         |
| Potential value creation (Rs mn)  | 67,541     |
| Number of shares  | 3,382      |
| <b>[B] Target Price- Beer business (Rs)</b>                                 | <b>20</b>  |
| <b>[C] Cumulative Target Price (A+B; Rs)</b>                                | <b>620</b> |

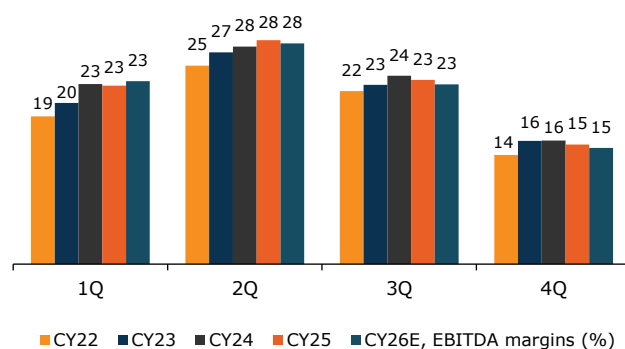
Source: Emkay Research

**Exhibit 2: Revenue was up ~18%, led by ~16% volume growth, with the rest via realization**



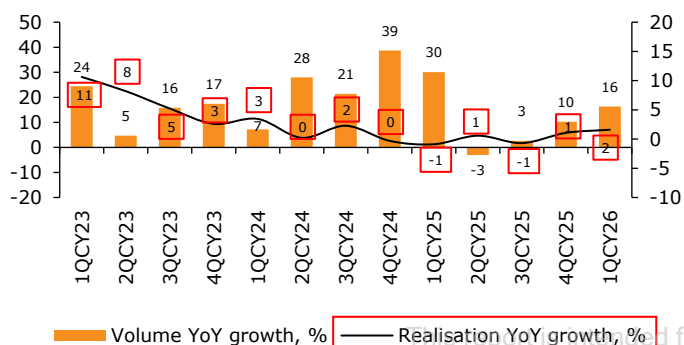
Source: Company, Emkay Research

**Exhibit 3: EBITDA margin was up by ~60bps, on account of ~60bps increase in gross margin**



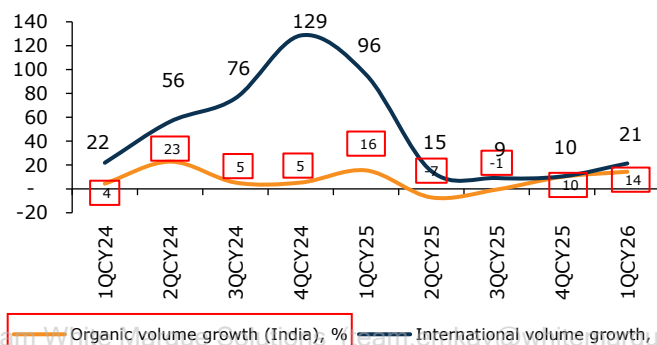
Source: Company, Emkay Research

**Exhibit 4: Overall realization grew ~2%, driven by higher International realization of ~9% offsetting the ~2% decline in India realization**



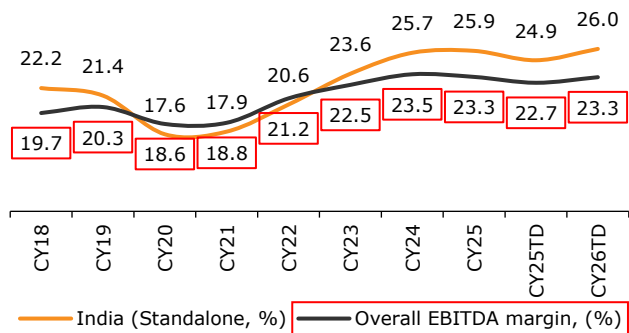
Source: Company, Emkay Research

**Exhibit 5: India/International volumes were up ~14%/21%, leading to overall volume growth at 16.3%**



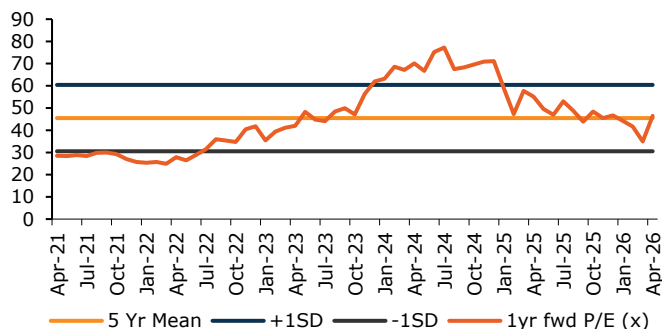
Source: Company, Emkay Research

**Exhibit 6: Consolidated margin was up by 60bps in 1QCY26**



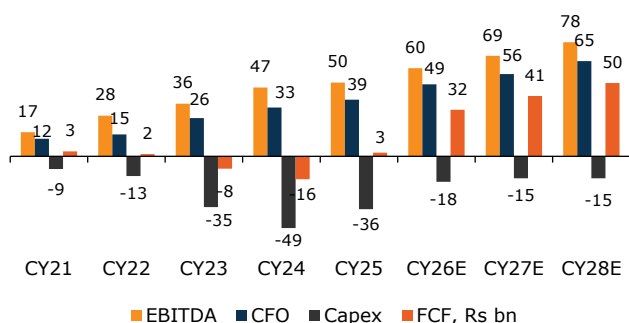
Source: Company, Emkay Research

**Exhibit 7: VBL's 1-YF P/E trend**



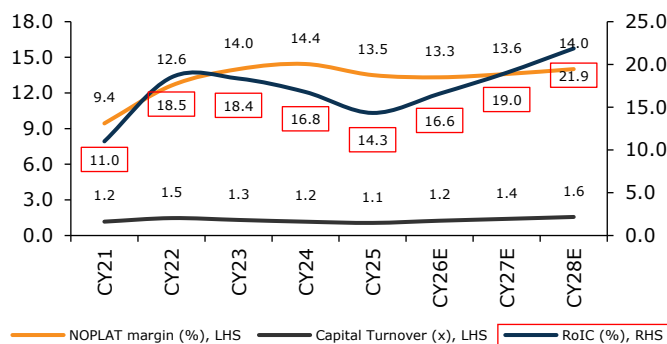
Source: Company, Emkay Research

**Exhibit 8: FCF is likely to considerably improve, and thus support near-term growth**



Source: Company, Emkay Research

**Exhibit 9: Asset turnover and margin improvement are likely to lead to sustained improvement in RoIC**



Source: Company, Emkay Research

**Exhibit 10: Change in estimates**

| (Rs mn)           | CY26E   |         |          | CY27E   |         |          | CY28E   |         |          |
|-------------------|---------|---------|----------|---------|---------|----------|---------|---------|----------|
|                   | Old     | New     | % change | Old     | New     | % change | Old     | New     | % change |
| Revenue           | 245,387 | 261,228 | 6.5      | 277,372 | 298,252 | 7.5      | 313,103 | 337,284 | 7.7      |
| EBITDA            | 56,660  | 60,376  | 6.6      | 64,050  | 68,781  | 7.4      | 72,459  | 78,186  | 7.9      |
| EBITDA margin (%) | 23.1    | 23.1    | 0 bps    | 23.1    | 23.1    | 0 bps    | 23.1    | 23.2    | 0 bps    |
| Net profit        | 33,822  | 35,475  | 4.9      | 40,384  | 42,428  | 5.1      | 47,721  | 50,842  | 6.5      |
| EPS (Rs)          | 10.0    | 10.5    | 4.9      | 11.9    | 12.5    | 5.1      | 14.1    | 15.0    | 6.5      |

Source: Company, Emkay Research

**Exhibit 11: Actual vs Estimate (Q1CY26)**

| (Rs mn)       | Actual | Estimates |           | Variation |           | Comments   |
|---------------|--------|-----------|-----------|-----------|-----------|--|
|               |        | Emkay     | Consensus | Emkay     | Consensus |  |
| Net Sales     | 65,742 | 61,950    | 62,383    | 6%        | 5%        | Revenue beat led by higher growth in both India/International business                 |
| EBITDA        | 15,289 | 13,730    | 13,418    | 11%       | 14%       | EBITDA beat was on account of revenue beat, better gross margin and operating leverage |
| EBITDA margin | 23.3%  | 22.2%     | 21.5%     | 109 bps   | 175 bps   |  |
| PAT           | 8,724  | 7,966     | 7,264     | 10%       | 20%       | PAT beat was on account of flow-through of EBITDA                                      |

Source: Company, Emkay Research

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

## Exhibit 12: Key assumptions

|                                | CY20       | CY21       | CY22       | CY23       | CY24         | CY25         | CY26E        | CY27E        | CY28E        |
|--------------------------------|------------|------------|------------|------------|--------------|--------------|--------------|--------------|--------------|
| CSD* (mn cases)                | 309        | 400        | 563        | 657        | 834          | 897          | 1,111        | 1,245        | 1,370        |
| JNSD** (mn cases)              | 26         | 36         | 58         | 58         | 68           | 72           | 97           | 116          | 128          |
| Water (mn cases)               | 90         | 132        | 181        | 199        | 222          | 244          | 283          | 299          | 329          |
| <b>Total Volume (mn cases)</b> | <b>425</b> | <b>568</b> | <b>802</b> | <b>914</b> | <b>1,124</b> | <b>1,213</b> | <b>1,491</b> | <b>1,660</b> | <b>1,826</b> |
| Revenue/case (Rs)              | 152        | 155        | 164        | 176        | 178          | 176          | 172          | 175          | 179          |
| EBITDA/case (Rs)               | 28         | 29         | 35         | 39         | 42           | 42           | 40           | 41           | 43           |

Source: Company, Emkay Research; Note: \*CSD is Carbonated soft drinks, \*\*JNSD is juices, nectars, and still drinks

## Exhibit 13: Summary of quarterly results

| Y/E, Dec (Rs mn)           | Q1CY25        | Q2CY25        | Q3CY25        | Q4CY25        | Q1CY26        | YoY%        | QoQ%         | CY26TD        | CY25TD        | YoY%        |
|----------------------------|---------------|---------------|---------------|---------------|---------------|-------------|--------------|---------------|---------------|-------------|
| <b>Sales</b>               | <b>55,669</b> | <b>70,174</b> | <b>48,967</b> | <b>42,044</b> | <b>65,742</b> | <b>18.1</b> | <b>56.4</b>  | <b>65,742</b> | <b>55,669</b> | <b>18.1</b> |
| Cost of Revenue            | 25,291        | 31,911        | 21,192        | 18,761        | 29,457        | 16.5        | 57.0         | 29,457        | 25,291        | 16.5        |
| As a % of sales            | 45.4          | 45.5          | 43.3          | 44.6          | 44.8          |             |              | 44.8          | 45.4          |             |
| Employee Cost              | 5,115         | 5,497         | 5,533         | 5,863         | 6,193         | 21.1        | 5.6          | 6,193         | 5,115         | 21.1        |
| As a % of sales            | 9.2           | 7.8           | 11.3          | 13.9          | 9.4           |             |              | 9.4           | 9.2           |             |
| Other Expenses             | 12,624        | 12,778        | 10,767        | 11,028        | 14,803        | 17.3        | 34.2         | 14,803        | 12,624        | 17.3        |
| As a % of sales            | 22.7          | 18.2          | 22.0          | 26.2          | 22.5          |             |              | 22.5          | 22.7          |             |
| <b>Total Expenditure</b>   | <b>43,030</b> | <b>50,186</b> | <b>37,493</b> | <b>35,652</b> | <b>50,453</b> | <b>17.3</b> | <b>41.5</b>  | <b>50,453</b> | <b>43,030</b> | <b>17.3</b> |
| <b>EBITDA</b>              | <b>12,640</b> | <b>19,988</b> | <b>11,474</b> | <b>6,393</b>  | <b>15,289</b> | <b>21.0</b> | <b>139.2</b> | <b>15,289</b> | <b>12,640</b> | <b>21.0</b> |
| Depreciation               | 2,725         | 3,062         | 3,076         | 3,302         | 3,568         | 30.9        | 8.1          | 3,568         | 2,725         | 30.9        |
| <b>EBIT</b>                | <b>9,915</b>  | <b>16,926</b> | <b>8,398</b>  | <b>3,091</b>  | <b>11,721</b> | <b>18.2</b> | <b>279.3</b> | <b>11,721</b> | <b>9,915</b>  | <b>18.2</b> |
| Other Income               | 281           | 772           | 1,480         | 991           | 435           | 55.1        | -56.1        | 435           | 281           | 55.1        |
| Interest cost              | 411           | 365           | 452           | 467           | 485           | 18.0        | 3.9          | 485           | 411           | 18.0        |
| <b>PBT</b>                 | <b>9,784</b>  | <b>17,332</b> | <b>9,426</b>  | <b>3,615</b>  | <b>11,671</b> | <b>19.3</b> | <b>222.9</b> | <b>11,671</b> | <b>9,784</b>  | <b>19.3</b> |
| Tax                        | 2,465         | 4,066         | 1,957         | 989           | 2,845         | 15.4        | 187.7        | 2,845         | 2,465         | 15.4        |
| <b>PAT before Minority</b> | <b>7,319</b>  | <b>13,267</b> | <b>7,469</b>  | <b>2,626</b>  | <b>8,827</b>  | <b>20.6</b> | <b>236.1</b> | <b>8,827</b>  | <b>7,319</b>  | <b>20.6</b> |
| Minority Interest          | -54           | -97           | -57           | -108          | -103          | 89.2        | -4.6         | -103          | -54           | 89.2        |
| Exceptional Items          | 0             | 0             | 0             | 0             | 0             |             |              | 0             | 0             |             |
| <b>Reported PAT</b>        | <b>7,265</b>  | <b>13,170</b> | <b>7,412</b>  | <b>2,518</b>  | <b>8,724</b>  | <b>20.1</b> | <b>246.5</b> | <b>8,724</b>  | <b>7,265</b>  | <b>20.1</b> |
| <b>Reported EPS (Rs)</b>   | <b>2.1</b>    | <b>3.9</b>    | <b>2.2</b>    | <b>0.7</b>    | <b>2.6</b>    | <b>20.1</b> | <b>246.5</b> | <b>2.6</b>    | <b>2.1</b>    | <b>20.1</b> |

| (%)                | Q1CY25 | Q2CY25 | Q3CY25 | Q4CY25 | Q1CY26 | YoY bps | QoQ bps | CY26TD | CY25TD | YoY bps |
|--------------------|--------|--------|--------|--------|--------|---------|---------|--------|--------|---------|
| EBITDA margin      | 22.7   | 28.5   | 23.4   | 15.2   | 23.3   | 60.0    | 810.0   | 23.3   | 22.7   | 60.0    |
| EBIT margin        | 17.8   | 24.1   | 17.1   | 7.4    | 17.8   | 0.0     | 1050.0  | 17.8   | 17.8   | 0.0     |
| EBT margin         | 17.6   | 24.7   | 19.2   | 8.6    | 17.8   | 20.0    | 920.0   | 17.8   | 17.6   | 20.0    |
| PAT margin         | 13.1   | 18.9   | 15.3   | 6.2    | 13.4   | 30.0    | 720.0   | 13.4   | 13.1   | 30.0    |
| Effective Tax rate | 25.2   | 23.5   | 20.8   | 27.4   | 24.4   | -80.0   | -300.0  | 24.4   | 25.2   | -80.0   |

Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarqueresolutions)

## Exhibit 14: Valuation comparison across our coverage universe

| Company                | Price (Rs) | Mcap (Rs bn) | Reco       | Target Price (Rs) | EPS (Rs)   |             |             | P/E (x)     |             |             | EV / EBITDA (x)* |             |             |
|------------------------|------------|--------------|------------|-------------------|------------|-------------|-------------|-------------|-------------|-------------|------------------|-------------|-------------|
|                        |            |              |            |                   | FY26E      | FY27E       | FY28E       | FY26E       | FY27E       | FY28E       | FY26E            | FY27E       | FY28E       |
| Titan Company          | 4,442      | 3,943        | ADD        | 5,350             | 58.4       | 73.6        | 89.3        | 76.1        | 60.4        | 49.7        | 46.7             | 39.0        | 33.0        |
| <b>Varun Beverages</b> | <b>519</b> | <b>1,755</b> | <b>BUY</b> | <b>620</b>        | <b>9.0</b> | <b>10.5</b> | <b>12.5</b> | <b>57.8</b> | <b>49.5</b> | <b>41.4</b> | <b>34.9</b>      | <b>29.2</b> | <b>25.6</b> |
| Ethos                  | 2,626      | 70           | BUY        | 2,950             | 38.1       | 50.5        | 68.0        | 69.0        | 52.0        | 38.6        | 29.8             | 21.6        | 16.0        |
| Page Industries        | 37,705     | 421          | REDUCE     | 33,750            | 700.6      | 752.5       | 829.9       | 53.8        | 50.1        | 45.4        | 36.5             | 33.8        | 30.8        |
| ABFRL                  | 64         | 79           | ADD        | 70                | -6.3       | -5.2        | -3.6        | NA          | NA          | NA          | 10.6             | 6.4         | 4.6         |
| Jubilant FoodWorks     | 485        | 320          | BUY        | 600               | 5.5        | 7.1         | 9.8         | 88.6        | 68.2        | 49.6        | 18.0             | 15.6        | 13.1        |
| Devyani International  | 112        | 138          | BUY        | 160               | -0.3       | 0.1         | 0.9         | NA          | 1,173.5     | 126.5       | 17.2             | 14.0        | 11.3        |
| Westlife Foodworld     | 469        | 73           | ADD        | 550               | 1.8        | 1.4         | 5.3         | 265.3       | 327.1       | 88.6        | 21.6             | 18.1        | 13.8        |
| Sapphire Foods         | 176        | 57           | BUY        | 300               | -0.6       | 0.8         | 2.7         | NA          | 213.6       | 64.1        | 11.6             | 9.6         | 7.7         |
| Senco Gold             | 323        | 53           | BUY        | 575               | 28.6       | 20.7        | 26.1        | 11.3        | 15.6        | 12.4        | 7.1              | 8.7         | 7.2         |
| Metro Brands           | 1,062      | 290          | BUY        | 1,175             | 16.7       | 17.7        | 20.4        | 63.8        | 60.2        | 52.2        | 32.7             | 29.1        | 25.0        |
| ABLBL                  | 106        | 129          | BUY        | 140               | 1.2        | 2.3         | 3.1         | 89.7        | 46.2        | 33.7        | 10.3             | 9.0         | 7.9         |
| Vishal Mega Mart       | 126        | 587          | BUY        | 170               | 1.8        | 2.4         | 3.1         | 68.4        | 51.4        | 41.2        | 30.1             | 24.3        | 20.3        |
| Lenskart               | 524        | 911          | BUY        | 600               | 2.2        | 3.9         | 5.8         | 236.8       | 134.9       | 90.2        | 54.0             | 38.9        | 29.8        |
| DMART                  | 4,507      | 2,939        | SELL       | 3,700             | 50.0       | 57.3        | 64.2        | 90.1        | 78.7        | 70.2        | 56.0             | 46.9        | 40.4        |

Source: Company, Emkay Research; Note: \*Post-IndAS-116 EBITDA; \*\*FY26E is CY25 and likewise for Varun Beverages

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

## Varun Beverages: Consolidated Financials and Valuations

### Profit & Loss

| Y/E Dec (Rs mn)             | CY24           | CY25           | CY26E          | CY27E          | CY28E          |
|-----------------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Revenue</b>              | <b>200,077</b> | <b>216,854</b> | <b>261,228</b> | <b>298,252</b> | <b>337,284</b> |
| Revenue growth (%)          | 24.7           | 8.4            | 20.5           | 14.2           | 13.1           |
| <b>EBITDA</b>               | <b>47,111</b>  | <b>50,494</b>  | <b>60,376</b>  | <b>68,781</b>  | <b>78,186</b>  |
| EBITDA growth (%)           | 30.5           | 7.2            | 19.6           | 13.9           | 13.7           |
| Depreciation & Amortization | 9,474          | 12,165         | 14,844         | 15,705         | 16,348         |
| <b>EBIT</b>                 | <b>37,637</b>  | <b>38,329</b>  | <b>45,532</b>  | <b>53,076</b>  | <b>61,838</b>  |
| EBIT growth (%)             | 28.5           | 1.8            | 18.8           | 16.6           | 16.5           |
| Other operating income      | -              | -              | -              | -              | -              |
| Other income                | 1,213          | 3,523          | 3,050          | 4,650          | 6,900          |
| Financial expense           | 4,504          | 1,696          | 1,696          | 1,696          | 1,696          |
| <b>PBT</b>                  | <b>34,346</b>  | <b>40,157</b>  | <b>46,886</b>  | <b>56,030</b>  | <b>67,042</b>  |
| Extraordinary items         | 0              | 0              | 0              | 0              | 0              |
| Taxes                       | 7,988          | 9,476          | 11,064         | 13,222         | 15,820         |
| Minority interest           | (411)          | (316)          | (347)          | (380)          | (380)          |
| Income from JV/Associates   | 0              | 0              | 0              | 0              | 0              |
| <b>Reported PAT</b>         | <b>25,946</b>  | <b>30,365</b>  | <b>35,475</b>  | <b>42,428</b>  | <b>50,842</b>  |
| PAT growth (%)              | 26.2           | 17.0           | 16.8           | 19.6           | 19.8           |
| <b>Adjusted PAT</b>         | <b>25,946</b>  | <b>30,365</b>  | <b>35,475</b>  | <b>42,428</b>  | <b>50,842</b>  |
| <b>Diluted EPS (Rs)</b>     | <b>8.0</b>     | <b>9.0</b>     | <b>10.5</b>    | <b>12.5</b>    | <b>15.0</b>    |
| Diluted EPS growth (%)      | 26.2           | 12.4           | 16.8           | 19.6           | 19.8           |
| <b>DPS (Rs)</b>             | <b>1.0</b>     | <b>1.5</b>     | <b>1.3</b>     | <b>1.5</b>     | <b>1.8</b>     |
| <b>Dividend payout (%)</b>  | <b>12.5</b>    | <b>16.7</b>    | <b>12.0</b>    | <b>12.0</b>    | <b>12.0</b>    |
| EBITDA margin (%)           | 23.5           | 23.3           | 23.1           | 23.1           | 23.2           |
| EBIT margin (%)             | 18.8           | 17.7           | 17.4           | 17.8           | 18.3           |
| Effective tax rate (%)      | 23.3           | 23.6           | 23.6           | 23.6           | 23.6           |
| <b>NOPLAT (pre-IndAS)</b>   | <b>28,883</b>  | <b>29,284</b>  | <b>34,787</b>  | <b>40,551</b>  | <b>47,246</b>  |
| Shares outstanding (mn)     | 3,248          | 3,382          | 3,382          | 3,382          | 3,382          |

Source: Company, Emkay Research

### Cash flows

| Y/E Dec (Rs mn)              | CY24            | CY25            | CY26E           | CY27E           | CY28E           |
|------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| PBT (ex-other income)        | 32,722          | 36,317          | 43,489          | 51,000          | 59,762          |
| Others (non-cash items)      | 0               | 0               | 0               | 0               | 0               |
| Taxes paid                   | (6,539)         | (8,163)         | (10,135)        | (12,154)        | (14,592)        |
| Change in NWC                | (6,512)         | (8,548)         | (1,740)         | (3,138)         | (3,275)         |
| <b>Operating cash flow</b>   | <b>33,649</b>   | <b>33,466</b>   | <b>48,154</b>   | <b>53,109</b>   | <b>59,939</b>   |
| Capital expenditure          | (52,374)        | (34,909)        | (18,430)        | (15,837)        | (15,963)        |
| Acquisition of business      | (384)           | (1,148)         | 0               | 0               | 0               |
| Interest & dividend income   | -               | -               | -               | -               | -               |
| <b>Investing cash flow</b>   | <b>(51,545)</b> | <b>(32,533)</b> | <b>(15,380)</b> | <b>(11,187)</b> | <b>(9,063)</b>  |
| Equity raised/(repaid)       | 74,637          | 125             | 0               | 0               | 0               |
| Debt raised/(repaid)         | (28,301)        | (3,401)         | (8,000)         | (8,000)         | (4,241)         |
| Payment of lease liabilities | 0               | 0               | 0               | 0               | 0               |
| Interest paid                | (4,504)         | (1,696)         | (1,696)         | (1,696)         | (1,696)         |
| Dividend paid (incl tax)     | (3,249)         | (5,073)         | (4,257)         | (5,091)         | (6,101)         |
| Others                       | (785)           | 4,596           | -               | -               | -               |
| <b>Financing cash flow</b>   | <b>37,798</b>   | <b>(5,449)</b>  | <b>(13,953)</b> | <b>(14,787)</b> | <b>(12,038)</b> |
| Net chg in Cash              | 19,902          | (4,516)         | 18,821          | 27,135          | 38,838          |
| OCF                          | 33,649          | 33,466          | 48,154          | 53,109          | 59,939          |
| Adj. OCF (w/o NWC chg.)      | 40,160          | 42,015          | 49,894          | 56,247          | 63,214          |
| FCFF                         | (18,725)        | (1,442)         | 29,723          | 37,272          | 43,976          |
| FCFE                         | (23,229)        | (3,138)         | 28,028          | 35,576          | 42,280          |
| OCF/EBITDA (%)               | 71.4            | 66.3            | 79.8            | 77.2            | 76.7            |
| FCFE/PAT (%)                 | (89.5)          | (10.3)          | 79.0            | 83.8            | 83.2            |
| <b>FCFF/NOPLAT (%)</b>       | <b>(64.8)</b>   | <b>(4.9)</b>    | <b>85.4</b>     | <b>91.9</b>     | <b>93.1</b>     |

Source: Company, Emkay Research

### Balance Sheet

| Y/E Dec (Rs mn)                       | CY24           | CY25           | CY26E          | CY27E          | CY28E          |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Share capital                         | 6,763          | 6,764          | 6,764          | 6,764          | 6,764          |
| Reserves & Surplus                    | 159,335        | 189,023        | 220,241        | 257,578        | 302,319        |
| <b>Net worth</b>                      | <b>166,098</b> | <b>195,787</b> | <b>227,005</b> | <b>264,342</b> | <b>309,083</b> |
| Minority interests                    | 1,298          | 1,623          | 1,623          | 1,623          | 1,623          |
| Non current liab. & prov.             | 4,879          | 6,192          | 7,121          | 8,189          | 9,417          |
| <b>Total debt</b>                     | <b>29,155</b>  | <b>26,147</b>  | <b>19,398</b>  | <b>12,412</b>  | <b>9,241</b>   |
| <b>Total liabilities &amp; equity</b> | <b>201,431</b> | <b>229,749</b> | <b>255,146</b> | <b>286,566</b> | <b>329,363</b> |
| Net tangible fixed assets             | 131,008        | 163,576        | 165,794        | 164,680        | 162,953        |
| Net intangible assets                 | 0              | 471            | 909            | 1,318          | 1,698          |
| Net ROU assets                        | -              | -              | -              | -              | -              |
| Capital WIP                           | 11,667         | 2,708          | 2,708          | 2,708          | 2,708          |
| Goodwill                              | 3,009          | 3,542          | 3,542          | 3,542          | 3,542          |
| Investments [JV/Associates]           | 595            | 1,743          | 1,743          | 1,743          | 1,743          |
| <b>Cash &amp; equivalents</b>         | <b>24,501</b>  | <b>19,985</b>  | <b>38,806</b>  | <b>65,940</b>  | <b>104,778</b> |
| Current assets (ex-cash)              | 54,139         | 58,976         | 68,110         | 76,781         | 85,891         |
| Current Liab. & Prov.                 | 30,008         | 25,903         | 32,046         | 36,565         | 41,331         |
| <b>NWC (ex-cash)</b>                  | <b>24,131</b>  | <b>33,073</b>  | <b>36,064</b>  | <b>40,216</b>  | <b>44,560</b>  |
| <b>Total assets</b>                   | <b>201,431</b> | <b>229,749</b> | <b>255,146</b> | <b>286,566</b> | <b>329,363</b> |
| Net debt                              | 4,655          | 6,162          | (19,407)       | (53,528)       | (95,537)       |
| Capital employed                      | 201,431        | 229,749        | 255,146        | 286,566        | 329,363        |
| <b>Invested capital</b>               | <b>158,148</b> | <b>200,662</b> | <b>206,309</b> | <b>209,756</b> | <b>212,753</b> |
| BVPS (Rs)                             | 51.1           | 57.9           | 67.1           | 78.2           | 91.4           |
| Net Debt/Equity (x)                   | -              | -              | (0.1)          | (0.2)          | (0.3)          |
| Net Debt/EBITDA (x)                   | 0.1            | 0.1            | (0.3)          | (0.8)          | (1.2)          |
| Interest coverage (x)                 | 8.6            | 24.7           | 28.6           | 34.0           | 40.5           |
| <b>RoCE (%)</b>                       | <b>24.0</b>    | <b>19.9</b>    | <b>20.6</b>    | <b>21.9</b>    | <b>23.0</b>    |

Source: Company, Emkay Research

### Valuations and key Ratios

| Y/E Dec                  | CY24        | CY25        | CY26E       | CY27E       | CY28E       |
|--------------------------|-------------|-------------|-------------|-------------|-------------|
| P/E (x)                  | 65.0        | 57.8        | 49.5        | 41.4        | 34.5        |
| P/CE(x)                  | 47.6        | 41.3        | 34.9        | 30.2        | 26.1        |
| P/B (x)                  | 10.1        | 9.0         | 7.7         | 6.6         | 5.7         |
| EV/Sales (x)             | 8.4         | 8.1         | 6.7         | 5.9         | 5.2         |
| EV/EBITDA (x)            | 35.9        | 34.9        | 29.2        | 25.6        | 22.5        |
| EV/EBIT(x)               | 44.9        | 45.9        | 38.7        | 33.2        | 28.5        |
| EV/IC (x)                | 10.7        | 8.8         | 8.5         | 8.4         | 8.3         |
| FCFF yield (%)           | (1.1)       | (0.1)       | 1.7         | 2.1         | 2.5         |
| FCFE yield (%)           | (1.3)       | (0.2)       | 1.6         | 2.0         | 2.4         |
| Dividend yield (%)       | 0.2         | 0.3         | 0.2         | 0.3         | 0.3         |
| <b>DuPont-RoE split</b>  |             |             |             |             |             |
| Net profit margin (%)    | 13.0        | 14.0        | 13.6        | 14.2        | 15.1        |
| Total asset turnover (x) | 1.2         | 1.0         | 1.1         | 1.1         | 1.1         |
| Assets/Equity (x)        | 1.4         | 1.2         | 1.1         | 1.1         | 1.1         |
| <b>RoE (%)</b>           | <b>22.0</b> | <b>16.8</b> | <b>16.8</b> | <b>17.3</b> | <b>17.7</b> |
| <b>DuPont-RoIC</b>       |             |             |             |             |             |
| NOPLAT margin (%)        | 14.4        | 13.5        | 13.3        | 13.6        | 14.0        |
| IC turnover (x)          | 1.5         | 1.2         | 1.3         | 1.4         | 1.6         |
| <b>RoIC (%)</b>          | <b>22.3</b> | <b>16.3</b> | <b>17.1</b> | <b>19.5</b> | <b>22.4</b> |
| <b>Operating metrics</b> |             |             |             |             |             |
| Core NWC days            | 44.0        | 55.7        | 50.4        | 49.2        | 48.2        |
| <b>Total NWC days</b>    | <b>44.0</b> | <b>55.7</b> | <b>50.4</b> | <b>49.2</b> | <b>48.2</b> |
| Fixed asset turnover     | 1.3         | 1.0         | 1.1         | 1.1         | 1.2         |
| Opex-to-revenue (%)      | 31.9        | 31.9        | 32.2        | 32.2        | 32.1        |

Source: Company, Emkay Research

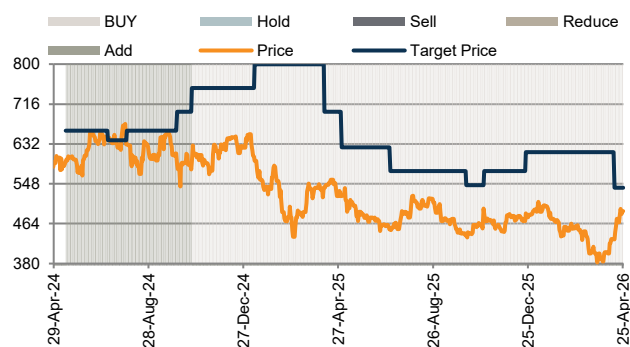
This report is intended for Team White Marque Solutions (team.emkay@whitemarqueresolutions)

RECOMMENDATION HISTORY - DETAILS

| Date      | Closing Price (Rs) | TP (Rs) | Rating | Analyst         |
|-----------|--------------------|---------|--------|-----------------|
| 14-Apr-26 | 431                | 540     | Buy    | Devanshu Bansal |
| 16-Mar-26 | 407                | 615     | Buy    | Devanshu Bansal |
| 04-Feb-26 | 445                | 615     | Buy    | Devanshu Bansal |
| 10-Jan-26 | 489                | 615     | Buy    | Devanshu Bansal |
| 22-Dec-25 | 486                | 615     | Buy    | Devanshu Bansal |
| 30-Oct-25 | 485                | 575     | Buy    | Devanshu Bansal |
| 07-Oct-25 | 440                | 545     | Buy    | Devanshu Bansal |
| 30-Jul-25 | 522                | 575     | Buy    | Devanshu Bansal |
| 02-Jul-25 | 453                | 575     | Buy    | Devanshu Bansal |
| 01-May-25 | 522                | 625     | Buy    | Devanshu Bansal |
| 09-Apr-25 | 540                | 700     | Buy    | Devanshu Bansal |
| 13-Mar-25 | 488                | 800     | Buy    | Devanshu Bansal |
| 11-Feb-25 | 520                | 800     | Buy    | Devanshu Bansal |
| 10-Jan-25 | 597                | 800     | Buy    | Devanshu Bansal |
| 13-Nov-24 | 568                | 750     | Buy    | Devanshu Bansal |
| 22-Oct-24 | 595                | 750     | Buy    | Devanshu Bansal |
| 03-Oct-24 | 588                | 700     | Add    | Devanshu Bansal |
| 31-Jul-24 | 631                | 660     | Add    | Devanshu Bansal |
| 23-Jul-24 | 620                | 640     | Add    | Devanshu Bansal |
| 07-Jul-24 | 646                | 640     | Add    | Devanshu Bansal |

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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|---------------|---|
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| <b>ADD</b>    | 5-15% upside                                  |
| <b>REDUCE</b> | 5% upside to 15% downside                     |
| <b>SELL</b>   | >15% downside                                 |

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