

Varun Beverages (VBL) - BUY

Company Update

Current Market Price (CMP) Rs. 407	Fair Value (FV) Rs.530
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Rationale:

- VBL’s India business is progressing well.
- The company is addressing beginning-of-the-year concerns around realizations and profitability.
- We expect 15-15.5% volume growth in 2026, which is a resilient 8.5% 2-year CAGR.
- The growth is despite a slightly weaker-than-expected summer.
- Campa’s recent downsizing of its Rs10 SKU to 150ml from ~200ml suggests easing pricing pressure.
- The international business continues to deliver strong growth, supported by both organic and inorganic levers.
- Stock has corrected 25% from mid-June & trades at 37X/33X Sep-2027E/Sep-2028E PE.
- We view the recent weakness, partly driven by near-term inflationary pressures, as an opportunity to BUY.
- Following the sharp 15-20% correction, we upgrade the stock to BUY from ADD.
- We expect earnings to grow 11.6% in CY27E and 10.2% in CY28E.

👍 Positives:

- India business tracking well, especially on realization and profitability front.
- International business scaling well; multiple growth levers ahead.
- Beverages steady, new optionalities add growth headroom.
- We project India volumes to grow at 14%/9%/9% yoy for CY2026/27/28E.

👎 Negatives:

- Crude and sugar inflation could weigh on profitability in Q4.



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com).Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

Definitions of ratings

- BUY

– We expect the stock to deliver more than 15% returns over the next 12 months
- ADD

– We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE

– We expect the stock to deliver -5% - +5% returns over the next 12 months
- SELL

– We expect the stock to deliver < -5% returns over the next 12 months
- NR

– **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
- SUBSCRIBE

– We advise investor to subscribe to the IPO.
- RS

– **Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
- NA

– **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM

– **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE

– Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

FUNDAMENTAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Shrikant Chouhan Head of Research shrikant.chouhan@kotak.com +91 22 6218 5408	Arun Agarwal Auto & Auto Ancillary, Building Material, Cement, Consumer Durable arun.agarwal@kotak.com +91 22 6218 6443	Amit Agarwal, CFA Transportation, Paints, FMCG agarwal.amit@kotak.com +91 22 6218 6439
Rini Mehta Research Analyst rini.mehta@kotak.com +91 22 6218 6433	Sumit Pokharna Oil and Gas, Information Tech sumit.pokharna@kotak.com +91 22 6218 6438	Veer Trivedi BFSI veer.trivedi@kotak.com +91 22 6218 6432
Pankaj Kumar Construction, Capital Goods & Midcaps pankajr.kumar@kotak.com +91 22 6218 5498	Amarjeet Maurya Internet Software & Services amarjeet.maurya@kotak.com +91 22 6218 6427	Gaurav Bhandari Research Analyst bhandari.gaurav@Kotak.com +91 22 6218 6440

TECHNICAL RESEARCH TEAM (PRIVATE CLIENT GROUP)

Shrikant Chouhan shrikant.chouhan@kotak.com +91 22 6218 5408	Amol Athawale amol.athawale@kotak.com +91 20 6620 3350	Sayed Haider sayed.haider@kotak.com +91 22 62185458
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DERIVATIVES RESEARCH TEAM (PRIVATE CLIENT GROUP)

Sahaj Agrawal sahaj.agrawal@kotak.com +91 79 66041701	Prasenjit Biswas, CMT, CFTe prasenjit.biswas@kotak.com +91 33 6638 8331	Karan Kulkarni karan.kulkarni@kotak.com +91 20 66203350
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