

BUY

Varun Beverages

Twizza acquisition – Synergies to further build momentum in SA



Your success is our success

Retail ► Company Update ► December 22, 2025

CMP (Rs): 469 | TP (Rs): 615

VBL has acquired 100% stake in Twizza (Pty), which manufactures and distributes own branded NARTD beverages in South Africa. With this acquisition, VBL's volume market share is set to increase to ~20% in the geography by CY27E (vs ~10% now). Among new regions, South Africa gains significance as its NARTD market is large and is ~40% of India's market, albeit growing at a slower pace (~3% volume CAGR). Though the market is mature, we are confident of a market share-driven double-digit volume growth in the geography, basis VBL's strong track record for turnarounds in Zimbabwe and Nepal (>50% share now). Portfolio-led pricing gain is also a big opportunity, given ~50% lower realization for VBL vs CCBA, a coke bottler. In addition, Twizza has backward integration lines at all its three facilities, and cluster-based cost synergies should aid profitability gains for its existing operations in the geography (~13% vs ~23% for VBL). The valuation of the acquisition (Rs11.2bn; 1.2x trailing sales vs ~7.5x for VBL) is attractive and is largely in line with historical acquisitions; it provides a 5x-6x value creation opportunity (3-4% of VBL's M-Cap). VBL's solid balance sheet (net debt-free vs ~1.0x D/E historically) allows it to pursue growth, presenting scope to capture such value-accretive opportunities. We reiterate BUY on VBL while revising up our TP (Dec-26E) by 7% to Rs615 (vs Sep-26E TP of Rs575 earlier), given consistent outperformance vs FMCG peers and value creation in international geographies.

SA market is mature; brand/product investments and GTM to aid share gains

South Africa (SA) is a large consumption market (1,250mn cases in FY24; ~40% of the India market), albeit relatively mature with ~70% urbanization and high per-capita consumption of ~100Lpa (~4x India's). The Twizza acquisition would lead to VBL's volume share rising to ~20% by CY27E (vs ~10% now), improvement in its distribution/manufacturing strengths, and better scope for in-roads for the high-realization/high-margin Pepsico products in SA. Proof points of success in Zimbabwe/Nepal (>50% share now after starting from scratch) and VBL's best-in-class execution strengths grant us confidence on the company gaining market share in SA too.

Africa – A large and long-term growth opportunity

PepsiCo's low penetration in Africa and sizable mix of regional brands offer it a long-term growth opportunity in the continent. Per our estimate, PepsiCo's bottlers cater to 40-45% of the African market (value terms) via its presence in 15 countries, while The-Coca-Cola-Company TCCC addresses the entire African population of >1.25bn (>50 countries). Besides TCCC, which has a healthy share in most African markets, the other competition is regional and likely to be beaten via improving the affordability, affinity, and availability of PepsiCo's products, in our view.

Target Price – 12M	Dec-26
Change in TP (%)	7.0
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	31.1

Stock Data	VBL IN
52-week High (Rs)	664
52-week Low (Rs)	419
Shares outstanding (mn)	3,382.0
Market-cap (Rs bn)	1,588
Market-cap (USD mn)	17,707
Net-debt, CY25E (Rs mn)	(8,074.0)
ADTV-3M (mn shares)	6.9
ADTV-3M (Rs mn)	2,739.7
ADTV-3M (USD mn)	30.6
Free float (%)	36.0
Nifty-50	25,966.4
INR/USD	89.7

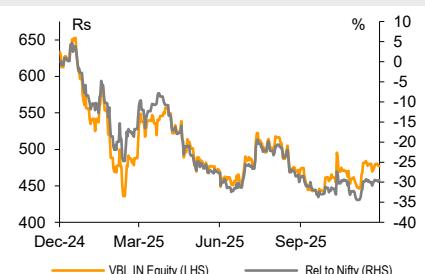
Shareholding, Sep-25

Promoters (%)	59.4
FPIs/MFs (%)	21.9/11.8

Price Performance

(%)	1M	3M	12M
Absolute	3.3	(1.1)	(25.3)
Rel. to Nifty	3.6	(3.5)	(31.1)

1-Year share price trend (Rs)



Varun Beverages: Financial Snapshot (Consolidated)

Y/E December (Rs mn)	CY23	CY24	CY25E	CY26E	CY27E
Revenue	160,426	200,077	216,243	249,931	283,513
EBITDA	36,095	47,111	50,408	58,420	66,391
Adj. PAT	20,559	25,946	30,470	35,983	42,896
Adj. EPS (Rs)	6.3	8.0	9.0	10.6	12.7
EBITDA margin (%)	22.5	23.5	23.3	23.4	23.4
EBITDA growth (%)	29.5	30.5	7.0	15.9	13.6
Adj. EPS growth (%)	37.3	26.2	12.8	18.1	19.2
RoE (%)	34.2	22.0	17.0	17.2	17.6
RoIC (%)	24.8	22.3	17.4	18.9	21.2
P/E (x)	74.2	58.8	52.1	44.1	37.0
EV/EBITDA (x)	43.7	33.5	31.3	27.0	23.7
P/B (x)	22.0	9.2	8.2	7.1	6.1
FCFF yield (%)	(0.6)	(1.2)	1.0	1.9	2.2

Source: Company, Emkay Research

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PepsiCo's wider product portfolio offers a key advantage

Energy drinks contribute a healthy value share of ~14% in SA (vs <10% in India), which suggests strong demand for the category in Africa. PepsiCo has built a robust energy-drinks portfolio via the acquisitions of Rockstar and A Rush, along with its partnership with Starbucks/Bang in USA and through organic investments in Mountain Dew/Sting. We reckon that a broad-based, energy-drinks portfolio across price points should help PepsiCo gain traction in this category in SA as well.

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

Story in charts

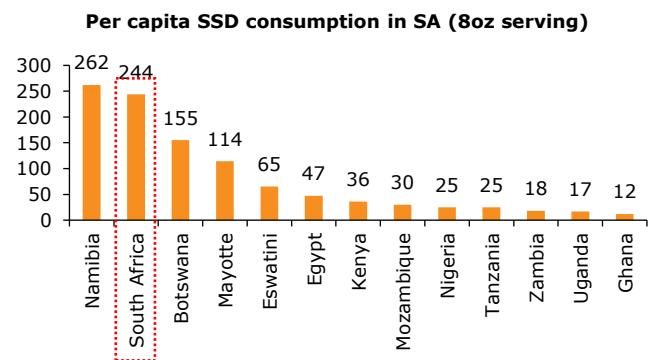
Exhibit 1: VBL – SOTP-based valuation

VBL's SOTP-based valuation summary	
Dec-27E EPS - Existing business (Rs)	13
TP multiple - Existing business (x)	45
[A] Target Price - Existing business (Rs)	580
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] Target Price- Beer business (Rs)	20
Twizza - CY27E Revenue (Rs mn)	10,219
Twizza - CY27E EBITDA (Rs mn)	1,533
CY27E EBITDA -Margin (%)	15
Implied EV/EBITDA multiple (x)	40
Incremental EV (Rs mn)	61,311
Proposed Investment (Rs mn)	11,187
M-Cap accretion (Rs mn)	50,124
Number of shares	3,382
[C] Target Price - Twizza business (Rs)	15
[D] Cumulative Target Price (A+B+C; Rs)	615

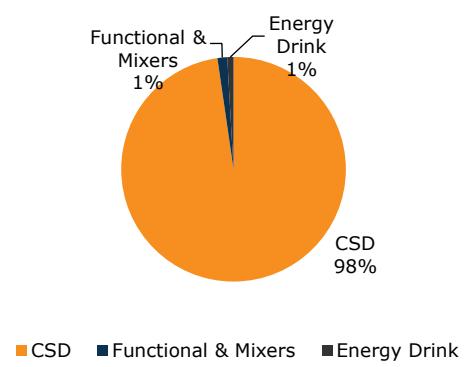
Source: Emkay Research

Exhibit 2: South Africa has a leading per-capita carbonate consumption among African markets

Exhibit 3: Twizza's current portfolio mix is inclined toward CSD; Energy drinks ramp-up remains a good opportunity



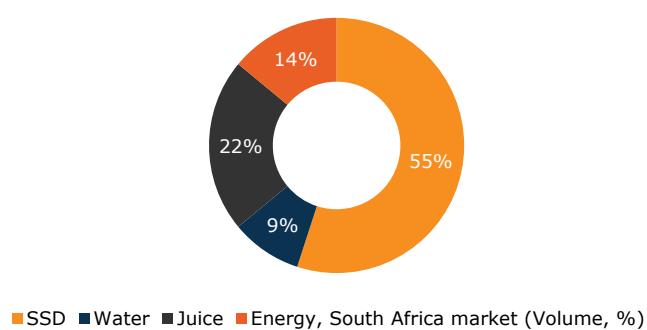
Source: Company, Emkay Research



Source: Company, Emkay Research

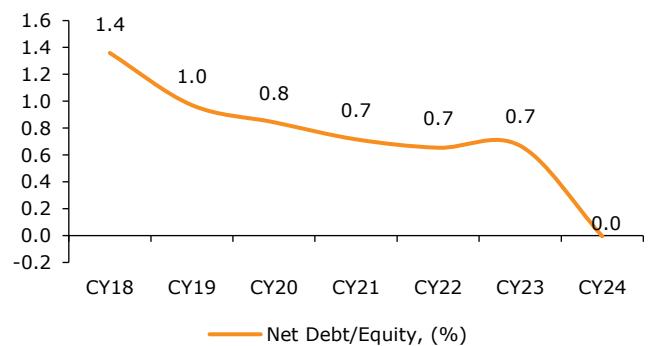
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Exhibit 4: Category mix is better, with 36% from juice/energy drinks in SA; PepsiCo globally has a strong energy drinks portfolio



Source: Company, Emkay Research

Exhibit 5: VBL's solid balance sheet (net-debt-free vs ~1.0x D/E historically) allows it to pursue growth, presenting scope for capturing such value-accretive opportunities



Source: Company, Emkay Research

Exhibit 6: Given VBL's business turnaround in Zimbabwe, Nepal, and Morocco, we remain confident about its market share-led growth in SA; medium-term prospects are similar to those in India and offer a 5-6x value creation opportunity, in our view

Particulars	CY22	CY27E	CY32E	CY42E	CY22-27E	CY27-32E	CY32-42E
SA market volumes (mn cases)	1,186	1,442	1,754	2,245	4%	4%	2%
VBL's volume market share (%)	9.9	19.4	25.6	33.4			
VBL SA volumes (mn cases)	117	279	450	750	19%	10%	5%
Realization (Rs/case)	136	141	178	250	1%	5%	3%
Revenue (Rs mn)	15,900	39,316	80,009	1,87,174	20%	15%	9%
EBITDA (Rs mn)	1,908	5,701	13,602	37,435	24%	19%	11%
Margin (%)	12.0	14.5	17.0	20.0			

Source: Company, Emkay Research

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Exhibit 7: VBL has a strong track record of turning around business in international geographies; now controls >50% market share in Zimbabwe/Nepal, after starting from scratch

Particulars	CY18	CY19	CY20	CY21	CY22	CY23	CY24	Remarks
Zimbabwe								
Revenue (Rs mn)	4,687	5,669	7,235	10,534	10,029	14,379	16,278	VBL has >50% market share in Zimbabwe and has seen a strong 23% CAGR over CY18-24
Growth (%)	460	21	28	46	-5	43	13	Penetration improvement, product pricing, and efficient operations have helped gain market share
PAT (Rs mn)	804	-179	1,721	2,273	2,054	2,112	2,086	Zimbabwe's profitability has improved significantly
Shareholding (%)	85	85	85	85	85	85	85	
Nepal								
Revenue (Rs mn)	4,384	4,755	3,913	4,915	6,599	6,632	6,808	In Nepal, VBL's market share is ~50%
Growth (%)	9	8	-18	26	34	1	3	Nepal has seen consistent trends with 8% topline CAGR over CY18-24, despite pandemic-led disruptions
PAT (Rs mn)	388	558	296	-268	295	702	1,345	
Shareholding (%)	100	100	100	100	100	100	100	
Morocco								
Revenue (Rs mn)	2,504	3,507	3,281	4,440	6,539	10,164	12,364	VBL has ~15% market share in Morocco, with only one plant vs seven plants of the competition's
Growth (%)	8	40	-6	35	47	55	22	VBL has seen a strong turnaround with introduction of the water-line post-completion of the non-compete agreement
PAT (Rs mn)	-696	-195	-170	19	96	372	331	Morocco operations have turned profitable since CY20
Shareholding (%)	100	100	100	100	100	100	100	Entry into the foods business is a potential upside

Source: Company, Emkay Research

Exhibit 8: Together, the Bevko and Twizza portfolios are likely to increase VBL's volume market share to ~20%; scale-up will improve its distribution/manufacturing strengths and provide better scope for in-roads for the high-realization/high-margin Pepsico products in SA



Source: Company, Emkay Research

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Varun Beverages: Consolidated Financials and Valuations

Profit & Loss

Y/E December (Rs mn)	CY23	CY24	CY25E	CY26E	CY27E
Revenue	160,426	200,077	216,243	249,931	283,513
Revenue growth (%)	21.8	24.7	8.1	15.6	13.4
EBITDA	36,095	47,111	50,408	58,420	66,391
EBITDA growth (%)	29.5	30.5	7.0	15.9	13.6
Depreciation & Amortization	6,809	9,474	11,969	13,141	13,842
EBIT	29,286	37,637	38,439	45,278	52,550
EBIT growth (%)	34.9	28.5	2.1	17.8	16.1
Other operating income	-	-	-	-	-
Other income	794	1,213	3,282	3,300	4,700
Financial expense	2,681	4,504	1,681	1,400	1,200
PBT	27,398	34,346	40,040	47,178	56,050
Extraordinary items	0	0	0	0	0
Taxes	6,375	7,988	9,289	10,945	13,004
Minority interest	(464)	(411)	(281)	(250)	(150)
Income from JV/Associates	0	0	0	0	0
Reported PAT	20,559	25,946	30,470	35,983	42,896
PAT growth (%)	37.3	26.2	17.4	18.1	19.2
Adjusted PAT	20,559	25,946	30,470	35,983	42,896
Diluted EPS (Rs)	6.3	8.0	9.0	10.6	12.7
Diluted EPS growth (%)	37.3	26.2	12.8	18.1	19.2
DPS (Rs)	0.7	1.0	1.1	1.3	1.5
Dividend payout (%)	11.1	12.5	12.0	12.0	12.0
EBITDA margin (%)	22.5	23.5	23.3	23.4	23.4
EBIT margin (%)	18.3	18.8	17.8	18.1	18.5
Effective tax rate (%)	23.3	23.3	23.2	23.2	23.2
NOPLAT (pre-IndAS)	22,471	28,883	29,521	34,774	40,358
Shares outstanding (mn)	3,248	3,248	3,382	3,382	3,382

Source: Company, Emkay Research

Balance Sheet

Y/E December (Rs mn)	CY23	CY24	CY25E	CY26E	CY27E
Share capital	6,496	6,763	6,763	6,763	6,763
Reserves & Surplus	62,869	159,335	186,149	217,814	255,563
Net worth	69,365	166,098	192,912	224,577	262,326
Minority interests	1,482	1,298	1,298	1,298	1,298
Non current liab. & prov.	3,430	4,879	5,611	6,453	7,420
Total debt	56,118	29,155	21,924	14,847	7,767
Total liabilities & equity	130,394	201,431	221,745	247,175	278,812
Net tangible fixed assets	78,378	131,008	147,669	149,087	149,833
Net intangible assets	5,471	0	470	911	1,323
Net ROU assets	-	-	-	-	-
Capital WIP	19,222	11,667	5,667	5,667	5,667
Goodwill	242	3,009	3,178	3,178	3,178
Investments [JV/Associates]	211	595	1,309	1,309	1,309
Cash & equivalents	4,599	24,501	29,998	49,726	74,041
Current assets (ex-cash)	37,758	54,139	64,183	75,690	84,773
Current Liab. & Prov.	21,478	30,008	33,990	41,979	45,258
NWC (ex-cash)	16,280	24,131	30,193	33,711	39,515
Total assets	130,394	201,431	221,745	247,175	278,812
Net debt	51,519	4,655	(8,074)	(34,879)	(66,274)
Capital employed	130,394	201,431	221,745	247,175	278,812
Invested capital	100,372	158,148	181,511	186,887	193,850
BVPS (Rs)	21.4	51.1	57.0	66.4	77.6
Net Debt/Equity (x)	0.7	-	-	(0.2)	(0.3)
Net Debt/EBITDA (x)	1.4	0.1	(0.2)	(0.6)	(1.0)
Interest coverage (x)	11.2	8.6	24.8	34.7	47.7
RoCE (%)	27.4	24.0	20.2	21.3	22.4

Source: Company, Emkay Research

Cash flows

Y/E December (Rs mn)	CY23	CY24	CY25E	CY26E	CY27E
PBT (ex-other income)	26,141	32,722	36,477	43,628	51,200
Others (non-cash items)	0	0	0	0	0
Taxes paid	(6,314)	(6,539)	(8,558)	(10,104)	(12,036)
Change in NWC	(4,630)	(6,512)	(5,651)	(2,595)	(4,884)
Operating cash flow	24,688	33,649	35,919	45,472	49,321
Capital expenditure	(33,972)	(52,374)	(20,009)	(15,326)	(15,359)
Acquisition of business	(211)	(384)	(714)	0	0
Interest & dividend income	-	-	-	-	-
Investing cash flow	(33,389)	(51,545)	(17,441)	(12,026)	(10,659)
Equity raised/(repaid)	1	74,637	0	0	0
Debt raised/(repaid)	14,996	(28,301)	(7,643)	(8,000)	(8,000)
Payment of lease liabilities	0	0	0	0	0
Interest paid	(2,681)	(4,504)	(1,681)	(1,400)	(1,200)
Dividend paid (incl tax)	(2,273)	(3,249)	(3,656)	(4,318)	(5,148)
Others	405	(785)	-	-	-
Financing cash flow	10,447	37,798	(12,980)	(13,718)	(14,348)
Net chg in Cash	1,746	19,902	5,498	19,728	24,315
OCF	24,688	33,649	35,919	45,472	49,321
Adj. OCF (w/o NWC chg.)	29,317	40,160	41,569	48,066	54,206
FCFF	(9,284)	(18,725)	15,910	30,146	33,963
FCFE	(11,965)	(23,229)	14,229	28,746	32,763
OCF/EBITDA (%)	68.4	71.4	71.3	77.8	74.3
FCFE/PAT (%)	(58.2)	(89.5)	46.7	79.9	76.4
FCFF/NOPLAT (%)	(41.3)	(64.8)	53.9	86.7	84.2

Source: Company, Emkay Research

Valuations and key Ratios

Y/E December	CY23	CY24	CY25E	CY26E	CY27E
P/E (x)	74.2	58.8	52.1	44.1	37.0
P/CE(x)	55.7	43.0	37.4	32.3	28.0
P/B (x)	22.0	9.2	8.2	7.1	6.1
EV/Sales (x)	9.8	7.9	7.3	6.3	5.6
EV/EBITDA (x)	43.7	33.5	31.3	27.0	23.7
EV/EBIT(x)	53.8	41.9	41.0	34.8	30.0
EV/IC (x)	15.7	10.0	8.7	8.4	8.1
FCFF yield (%)	(0.6)	(1.2)	1.0	1.9	2.2
FCFE yield (%)	(0.8)	(1.5)	0.9	1.8	2.1
Dividend yield (%)	0.1	0.2	0.2	0.3	0.3
DuPont-RoE split					
Net profit margin (%)	12.8	13.0	14.1	14.4	15.1
Total asset turnover (x)	1.4	1.2	1.0	1.1	1.1
Assets/Equity (x)	1.9	1.4	1.2	1.1	1.1
RoE (%)	34.2	22.0	17.0	17.2	17.6
DuPont-RoIC					
NOPLAT margin (%)	14.0	14.4	13.7	13.9	14.2
IC turnover (x)	1.8	1.5	1.3	1.4	1.5
RoIC (%)	24.8	22.3	17.4	18.9	21.2
Operating metrics					
Core NWC days	37.0	44.0	51.0	49.2	50.9
Total NWC days	37.0	44.0	51.0	49.2	50.9
Fixed asset turnover	1.4	1.3	1.1	1.1	1.2
Opex-to-revenue (%)	31.3	31.9	32.2	32.2	32.1

Source: Company, Emkay Research

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

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
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
14-May-24	596	660	Add	Devanshu Bansal
07-Apr-24	598	600	Add	Devanshu Bansal
17-Mar-24	574	600	Add	Devanshu Bansal
06-Feb-24	539	560	Add	Devanshu Bansal
10-Jan-24	507	460	Reduce	Devanshu Bansal

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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