

Varun Beverages Ltd

Varun Beverages, a part of the RJ Group, is an India based franchisee of carbonated soft drinks (“CSDs”) and non-carbonated beverages (“NCBs”) sold under trademarks owned by PepsiCo. The company produces and distributes CSDs and NCBs produced from its 20 manufacturing plants spread in India. Apart from India, the company operates in Nepal, Sri Lanka, Morocco, Zambia and Zimbabwe. Currently, its share of Pepsico beverages volume sales increased from 26% in FY11 to 51% in FY18. The beverage company is consistent in its business operations and has delivered a 17.3% and ~53% CAGR in sales and PAT, respectively over 5 years. Going forward, the company’s sales and profits are expected to bolster on account of: 1) Cost savings from backward integration to widen margins 2) Addition of premium products to portfolio 3) Acquisition of new areas (domestic and international) for operation is expected to give room for growth. 4) Leverage distribution network to expand volume sales.

On account of all the mentioned growth factors we suggest **Buy**.

BUY

CMP ₹807

Stock Info

Sector	FMCG
Market Cap (₹ cr)	14,734
52 Week High / Low	848/590
Avg. Daily Volume	4,522
Face Value (₹)	10
BSE Sensex	35,457
Nifty	10,628
Reuters Code	VARB BO
Bloomberg Code	VBL IN

Shareholding Pattern (%)

Promoters	73.6
MF / Banks / Indian FIs	5.8
FII / NRIs / OCBs	13.0
Indian Public / Others	7.7

Abs. (%)	3m	1yr	3yr
Sensex	(5.9)	7.1	-
VBL	1.6	63.5	-

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Disclosure of Interest Statement

Varun Beverages

1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Based on expected returns over 12 months investment period):

Buy (> 15%)

Accumulate (5% to 15%)
Reduce (-5% to -15%)

Neutral (-5 to 5%)
Sell (< -15)