# Varun Beverages (VBL) – Investment Update – SELL Recommendation

Dear Bajaj Capital Investors,

We, Bajaj Capital's Research Team, **had recommended Varun Beverages (VBL) stock as a BUY on 10 June 2025 at a price of 480, with a 12-month investment horizon and a target price of 562, implying an upside potential of 17%.**

However, the company's Q1FY27 performance was materially below expectations, both relative to our estimates and management's prior guidance. Operating margin and PAT margin declined on a YoY basis, reflecting weakness in the company's operating performance. In light of the weaker-than-expected results and limited near-term growth visibility, we believe the investment outlook has deteriorated.

Furthermore, the company operates in a highly seasonal business, where demand is heavily dependent on summer temperatures and prolonged periods of hot weather. As the company is entering the seasonally weak quarters, demand is expected to moderate, which could further pressure revenue growth. Consequently, operating margin and PAT margin are likely to deteriorate further over the coming quarters due to lower operating leverage. Given the lack of meaningful near-term growth catalysts and the expected deterioration in profitability, we do not believe this is a favourable time to invest in the company. Therefore, we **have reassessed our investment thesis and are revising our stance on the stock to SELL at CMP of 440 as of 29 July 2026, representing 8% downside from our recommended price.**

**Q1FY27 Results: -**

| | YoY | QoQ | Jun 2026 | Mar 2026 | Jun 2025 |
|---|---|---|---|---|---|
| Revenue Cr | 20.4% | 28.6% | 8,451 | 6,574 | 7,017 |
| Operating Profit Cr | 17.2% | 53.3% | 2,343 | 1,529 | 1,999 |
| OPM % | | | 27.7 | 23.3 | 28.5 |
| PAT Cr | 15.1% | 73.6% | 1,525 | 879 | 1,325 |
| NPM % | | | 18.1 | 13.4 | 18.9 |
| EPS ₹ | 15.7% | 74.4% | 4.5 | 2.6 | 3.9 |

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team