

Integrated Financial Modelling and Valuation of Varun Beverages Limited using Relative Valuation Technique

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Abstract: The present study focuses on the financial modelling and valuation analysis of Varun Beverages Limited (VBL), one of the leading beverage companies in India and a major franchisee of PepsiCo. The study aims to evaluate the financial performance, profitability, liquidity, solvency, and valuation position of the company using financial modelling and relative valuation techniques. The research is based on secondary data collected from annual reports, financial statements, Screener.in, Moneycontrol, and other financial sources for the period 2021–2025.

The study uses financial statement analysis, ratio analysis, forecasting techniques, and valuation multiples such as P/E Ratio, EV/EBITDA, and EV/Revenue for analysis and interpretation. The findings reveal that the company has achieved strong revenue growth, improved profitability margins, stable liquidity, and reduced debt levels over the years. Forecasting analysis indicates stable future growth in sales, EBITDA, earnings per share, and net profit. Relative valuation analysis suggests that the company is fairly valued to slightly undervalued compared to its industry peers.

The study concludes that Varun Beverages Limited possesses strong financial fundamentals, stable operational performance, and positive future growth potential, making it suitable for long-term investment consideration.

Keywords: Financial Modelling, Relative Valuation, Forecasting, FMCG Sector, Varun Beverages Limited, Financial Analysis.

I. Introduction

Financial modelling and valuation are important tools used for analyzing the financial performance and market value of companies. In the modern financial environment, investors, analysts, and researchers require proper financial techniques to evaluate the financial strength and growth potential of companies. Financial modelling helps in forecasting future financial performance by using historical financial data such as revenue, expenses, profit, assets, liabilities, and cash flows. On the other hand, valuation techniques help in estimating the fair value of a company and identifying whether the company is fairly valued, undervalued, or overvalued in the market.

In equity research and investment analysis, valuation plays a significant role in making investment decisions. Among different valuation methods, relative valuation is one of the most commonly used techniques because it compares a company with similar companies in the same industry using valuation multiples such as Price-to-Earnings (P/E) Ratio, Enterprise Value to EBITDA (EV/EBITDA), and Enterprise Value to Revenue (EV/Revenue). This method is simple, practical, and widely used by financial analysts and investors for comparing company performance and market valuation.

The Indian Fast-Moving Consumer Goods (FMCG) and beverage industry has experienced significant growth in recent years due to increasing urbanization, rising disposable income, population growth, changing lifestyles, and growing demand for packaged food and beverages. The beverage sector has become one of the fastest-growing segments in the FMCG industry, creating growth opportunities for companies operating in this sector.

Varun Beverages Limited (VBL) is one of the largest franchisees of PepsiCo globally and is engaged in manufacturing, bottling, distribution, and sale of carbonated soft drinks, non-carbonated beverages, and packaged drinking water. The company has established a strong market presence in India and several international markets. Over the years, the company has shown strong growth in sales, profitability, operational efficiency, and market expansion. Due to its strong brand association with PepsiCo products and efficient distribution network, the company has become one of the leading players in the beverage industry.

The present study focuses on the financial modelling and valuation of Varun Beverages Limited using relative valuation techniques. The study includes financial statement analysis, ratio analysis, forecasting analysis, and valuation analysis to evaluate the financial position and future growth potential of the company. The study also compares the valuation of VBL with selected peer companies using valuation multiples such as P/E Ratio, EV/EBITDA, and EV/Revenue.

The main objective of the study is to understand the financial performance of Varun Beverages Limited and analyze whether the company is fairly valued, undervalued, or overvalued from an investor's perspective. The study will help investors, researchers, and finance students understand the practical application of financial modelling and valuation techniques in real-world financial analysis.

II. Literature Review

A review of literature helps researchers understand previous studies related to financial modelling and valuation techniques. It provides knowledge about different methods used by researchers and analysts to evaluate company performance and determine company value. Financial modelling and valuation are widely used in investment analysis, equity research, and financial decision-making.

Nutan Singh and G. Sathish Kumar (2025) explained that financial modelling is useful for forecasting company performance and analyzing financial statement, balance sheet, and cash flow statement. The study highlighted that financial modelling helps in understanding profitability, growth, and financial position of companies.

Paul Pignataro (2022) discussed the importance of valuation techniques such as Discounted Cash Flow (DCF) and comparable company analysis. The study concluded that these methods help investors identify whether a company is overvalued or undervalued and support better investment decisions.

Gianfranco Forte (2020) stated that relative valuation techniques like P/E Ratio and EV/EBITDA are commonly used because they are simple and effective for comparing companies within the same industry.

Similarly, Ireneusz Miciuła et al. (2020) emphasized that company valuation depends on financial performance, market conditions, and risk factors, and therefore multiple valuation methods should be used for better accuracy.

Damiano Montani, Daniele Gervasio, and Andrea Pulcini (2020) highlighted that valuation should focus on future growth opportunities and financial risk factors.

Lilia Mukhlynina and Kjell G. Nyborg (2016) also observed that DCF and relative valuation are among the most widely used valuation techniques in practical financial analysis.

The review of literature shows that financial modelling and valuation are important tools for analyzing company performance and investment potential. However, limited studies have focused on combining forecasting analysis and relative valuation techniques for Indian FMCG companies such as Varun Beverages Limited.

III. Objectives of the Study

To analyze the financial performance of Varun Beverages Limited using historical financial data.

To develop a financial model using financial statements and forecasting techniques.

To evaluate the valuation position of the company using relative valuation methods.

To determine whether the company is fairly valued, undervalued, or overvalued.

IV. Hypothesis

H₀ (Null Hypothesis):

Varun Beverages Limited is fairly valued based on financial modelling and relative valuation techniques.

H₁ (Alternative Hypothesis):

Varun Beverages Limited is not fairly valued (either overvalued or undervalued) based on financial modelling and relative valuation techniques.

V. Research Methodology

The present study is analytical and descriptive in nature. The study is based on secondary data collected from annual reports, Screener.in, Moneycontrol, company websites, and other financial sources.

The analysis covers the financial period from 2021 to 2025. Various financial tools such as financial statement analysis, ratio analysis, forecasting analysis, and relative valuation techniques are used for interpretation and evaluation.

Relative valuation is performed using valuation multiples such as P/E Ratio, EV/Revenue, and EV/EBITDA by comparing Varun Beverages Limited with selected peer companies from the FMCG and beverage sector.

The study is limited to secondary data and selected valuation techniques, which may affect the overall comprehensiveness of the analysis.

VI. Data Analysis & Interpretation

1. Financial Statement Analysis

The financial analysis of Varun Beverages Limited indicates strong growth in revenue and profitability over the years. Revenue increased significantly from ₹8,823 crore in 2021 to ₹21,685 crore in 2025, showing strong business expansion and market demand.

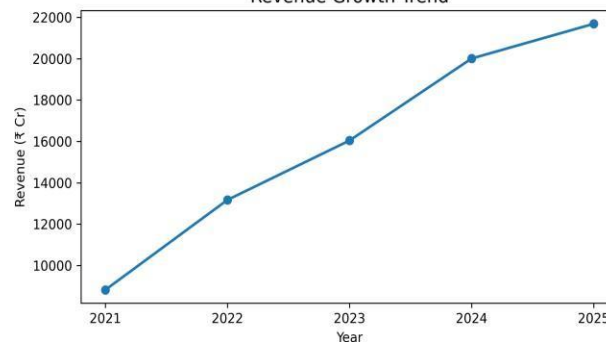
The profitability margins of the company improved consistently. EBITDA Margin increased from 19.2% to 23.4%, while Net Profit Margin improved from 7.9% to 12.5%. This indicates effective cost management and operational efficiency.

The balance sheet analysis shows growth in reserves, assets, and cash position, while debt levels reduced in recent years. The company maintained strong liquidity and stable financial performance during the study period.

Table 1: Revenue and Net Profit Analysis of Varun Beverages Limited

Year	Revenue (₹ Cr)	Net Profit (₹ Cr)
2021	8,823	695
2022	13,171	1,568
2023	16,042	2,106
2024	20,007	2,589
2025	21,685	3,036

Figure 1: Revenue Growth Trend
Revenue Growth Trend



Interpretation

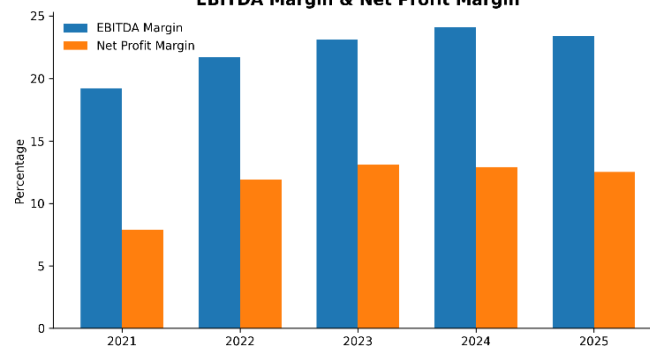
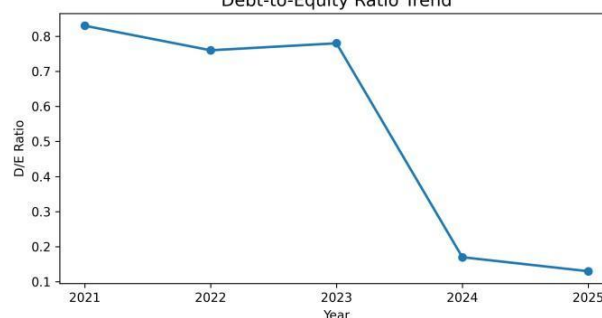
The company has shown strong revenue growth from ₹8,823 crore in 2021 to ₹21,685 crore in 2025. Net profit also increased significantly over the years, indicating improved profitability and operational efficiency. This reflects the strong financial performance and business expansion of the company.

2. Ratio Analysis

Ratio analysis is used to measure the profitability, liquidity, solvency, and efficiency of the company. The ratios of Varun Beverages Limited show improvement in profitability margins and reduction in debt levels, reflecting better financial stability and operational efficiency.

Table 2: Profitability and Solvency Ratios of varun beverages Limited

Ratio	2021	2022	2023	2024	2025
EBITDA Margin	19.2%	21.7%	23.1%	24.1%	23.4%
Net Profit Margin	7.9%	11.9%	13.1%	12.9%	12.5%
Debt-to-Equity Rati	0.83	0.76	0.78	0.17	0.13

Figure 2: EBITDA Margin & Net Profit Margin
EBITDA Margin & Net Profit MarginFigure 3: Debt-to-Equity Ratio
Debt-to-Equity Ratio Trend

Interpretation

The profitability ratios of the company improved consistently during the study period.

EBITDA margin increased from 19.2% in 2021 to 23.4% in 2025, indicating better operational performance. The debt-to-equity ratio declined significantly, which shows that the company has reduced its dependence on debt and improved its financial stability.

3. Forecasting Analysis

Forecasting analysis helps in estimating the future financial performance of the company based on historical trends. The forecasting results indicate stable future growth in sales, EBITDA, earnings per share, and net profit, showing positive long-term growth potential.

Year	Sales Growth	EPS Growth	Net Profit Growth
2026E	23.28%	14.29%	14.64%
2027E	0.70%	12.50%	12.77%
2028E	0.69%	11.11%	11.33%
2029E	0.69%	10.00%	10.17%
2030E	0.68%	10.00%	10.17%

Table 3: Forecasted Growth Analysis of varun beverages Limited

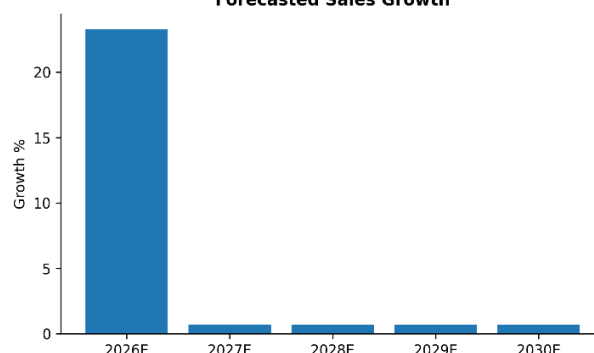
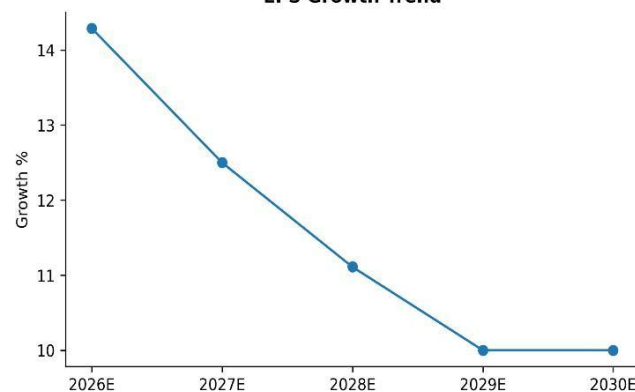
Figure 4: Forecasted Sales Growth
Forecasted Sales Growth

Figure 5: EPS Growth Trend
EPS Growth Trend

Interpretation

The forecasting analysis suggests that Varun Beverages Limited is expected to maintain stable financial growth in future years. The forecasted sales growth appears lower because the forecasting formula is based on historical financial trends and average growth patterns. Earlier years showed exceptionally high growth, but the forecasting model smooths these fluctuations to provide more realistic and stable future estimates. Therefore, the predicted sales growth becomes moderate in future years instead of showing very high growth continuously.

The forecasted EPS growth appears lower because the forecasting formula is based on historical earnings trends and average growth rates. In earlier years, the company recorded very high EPS growth due to strong profit growth and business expansion. However, the forecasting model smooths these fluctuations and provides more stable and realistic future projections. Therefore, the future EPS growth is expected to remain moderate and sustainable rather than extremely high.

4. Relative Valuation Analysis

Relative valuation analysis was conducted using EV/Revenue, EV/EBITDA, and P/E Ratio. The analysis compares Varun Beverages Limited with selected peer companies in the FMCG sector.

The EV/Revenue and EV/EBITDA valuation methods indicate that the company appears slightly undervalued, suggesting growth potential and strong operational value. However, the P/E ratio indicates that the company appears slightly overvalued due to higher market expectations.

Company	EV/Revenue	EV/EBITDA	P/E Ratio
VBL	7.4x	25.6x	52.3x
Hind. Unileve	8.1x	32.3x	36.2x
Nestle India	11.3x	45.3x	74.8x
ITC	7.4x	37.1x	57.2x
Britannia	4.8x	13.3x	10.9x

Table 4: Comparable Company Valuation

Figure 6: EV/Revenue Comparison

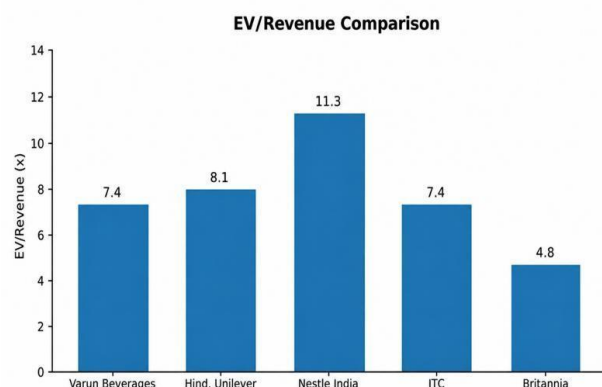


Figure 7: P/E Ratio Comparison

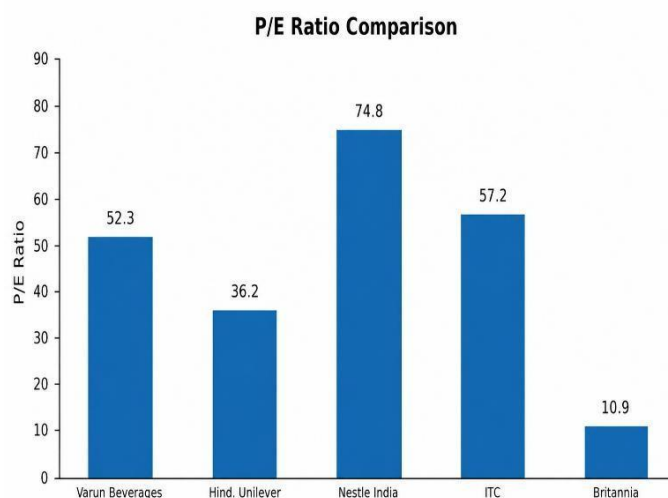
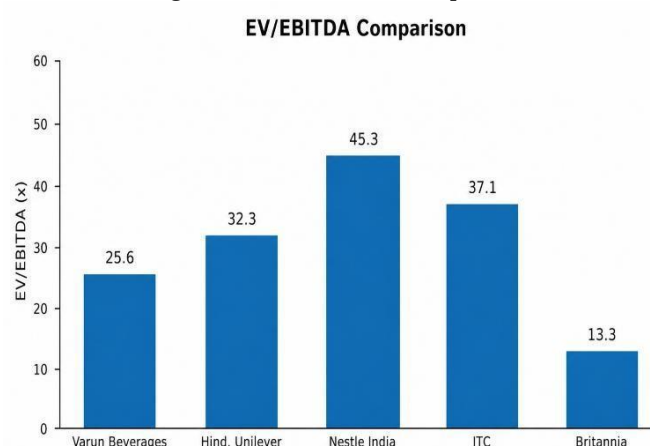


Figure 8: EV/EBITDA Comparison



Interpretation

The relative valuation analysis compares Varun Beverages Limited with selected FMCG peer companies. The analysis shows that VBL's valuation multiples are moderate compared to companies like Nestle India and Britannia Industries. Based on EV/Revenue and EV/EBITDA multiples, the company appears fairly valued to slightly undervalued, indicating potential growth opportunities for investors.

Overall Analysis

The overall financial analysis shows that Varun Beverages Limited has maintained strong revenue growth, improving profitability, stable liquidity, and lower financial risk during the study period. Forecasting and valuation analysis also indicate stable future growth and a healthy financial position. Therefore, the company appears financially strong and suitable for long-term investment consideration.

VII. Hypothesis Testing

Based on the financial analysis, forecasting analysis, and relative valuation techniques used in the study, Varun Beverages Limited appears to be fairly valued to slightly undervalued compared to its industry peers. Therefore, the Null Hypothesis (H_0) is partially accepted, as the company demonstrates strong financial performance, stable growth, and reasonable valuation.

VIII. Conclusion

The study concludes that Varun Beverages Limited has shown strong financial growth, stable profitability, improved liquidity, and reduced financial risk over the years. The company has maintained a strong market position in the FMCG and beverage industry due to its operational efficiency, strong brand presence, and expanding business operations.

Forecasting analysis indicates stable future growth in revenue, profitability, and shareholder returns. Relative valuation analysis suggests that the company is fairly valued to slightly undervalued compared to industry peers.

Overall, Varun Beverages Limited is financially strong and suitable for long-term investment consideration due to its consistent growth and stable financial performance.

IX. Future Scope of the Study

Future studies can include advanced valuation techniques such as Discounted Cash Flow (DCF) analysis and Free Cash Flow modelling for more accurate intrinsic valuation.

Further research may also analyze the impact of macroeconomic factors such as inflation, interest rates, and consumer behavior on the valuation and financial performance of FMCG companies.

Comparative analysis with more companies and longer study periods can also provide deeper insights into industry performance and valuation trends.

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