

Industry Outlook – The Recovery of India’s Soft Drink Sector

A Resilient Rebound: Following a difficult 2025 characterized by weather-related disruptions and subdued demand, the Indian soft drink industry is forecasting a strong recovery. Varun Beverages Ltd (VBL), a key partner for PepsiCo, noted in its annual report that the fundamental drivers of the Indian market—including a massive young demographic and rising disposable incomes—remain intact despite temporary setbacks.

Diversification and Health Trends: While carbonated soft drinks (CSD) continue to hold the largest market share, there is a clear trend toward "non-fizz" categories. Consumers are increasingly gravitating toward:

- Juice-based functional beverages.
- Energy and sports drinks.
- Low-sugar or "no-sugar" alternatives.
- Organic and natural ingredient-based drinks.

Operational Expansion: VBL is doubling down on its infrastructure to support this growth. The strategy involves significant investments in manufacturing capacity and, more importantly, cold-chain infrastructure (refrigeration at the retail level). Improved rural electrification is allowing companies to expand their reach into semi-urban and rural markets, where per-capita consumption of branded beverages remains low but is growing rapidly.

Reference: PTI. (2026). *Indian soft drinks industry well-positioned for healthy recovery, non-fizz drinks gain traction: VBL*. The Economic Times.

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