

One Stop Investment Avenue



GEPL
CAPITAL

IPO Note

SULA VINEYARDS LIMITED

December 12, 2022





December 12, 2022

Details of the Issue

Price Band	₹ 340 - ₹ 357
Issue Size	₹ 960.35 Cr
Face Value	₹ 2
Bid Lot	42
Listing on	BSE, NSE
Post Issue Mcap	₹ 2,863 Cr - ₹ 3,006 Cr
Investment Range	₹ 14,280 - ₹ 14,994

Important Indicative Dates (2022)

Opening	12 - Dec
Closing	14 - Dec
Basis of Allotment	19 - Dec
Refund Initiation	20 - Dec
Credit to Demat	21 - Dec
Listing Date	22 - Dec

Lead Manager

CLSA India Pvt Ltd
Kotak Mahindra Capital company Ltd
IIFL Securities Ltd

No of shares

Fresh Issue of Shares	-
Offer for Sales	26.90 Mn
Total No of Shares	26.90 Mn

Offer Details

Offer Size	₹ 960.35 Cr
Fresh Issue	-
OFS	₹ 960.35 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	576	1.69	1.61	50
NIB	144	0.42	0.40	15
Retail	336	0.99	0.94	35
Empl.	-	-	-	-
Total	960	3.11	2.96	100%

Type (In MN)	Pre-Issue		Post-Issue	
	No. Shares	% of Total	No. of Shares	% of Total
Promoter	22.85	27.15	21.92	26.04
Public	60.24	71.56	61.18	72.67
Promoter Group	16.91	1.29	16.91	1.29
Total	84.19	100	84.19	100

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Company Profile

Incorporated in 2003, Sula Vineyards Limited is the India's largest wine producer and seller as of March 31, 2022. The company also distribute wines under a bouquet of popular brands including RASA, Dindori, The source, Satori, Madera & Dia with its flagship brand "Sula" being the "category creator" of wine in India. The company's business is broadly classified under two categories (i) the production of wine, the import of wines and spirits, and the distribution of wines and spirits (the "Wine Business"); and (ii) the sale of services from ownership and operation of wine tourism venues, including vineyard resorts and tasting rooms (the "Wine Tourism Business") Currently, the company produces 56 different labels of wine at four owned and two leased production facilities located in the Indian states of Maharashtra and Karnataka.

Business Highlights & Services

Sula Vineyards is the India's largest wine producer and seller as of March 31, 2022 . They have been a consistent market leader in the Indian wine industry in terms of sales volume and value (on the basis of the total revenue from operations) since Fiscal 2009 crossing 50 per cent. market share by value in the domestic 100 per cent. grapes wine market in Fiscal 2012 . They have consistently gained market share (on the basis of their total revenue from operations) from 33 per cent in Fiscal 2009 in 100 per cent grapes wine category to 52 per cent in value in Fiscal 2022. Furthermore, they are the market leader across all four price segments, being Elite (INR 950+), Premium (INR 700-950), Economy (INR 400- 700) and Popular (< ₹ 400) with a higher share of approximately 61 per cent by value in the Elite and Premium categories in Fiscal 2022, as compared to their overall market share of 52 per cent in the Indian wine industry.

Furthermore, they are also recognized as the market leader across wine variants, including red, white and sparkling wines. Sula Shiraz Cabernet is India's largest selling wine by value in Fiscal 2021. The gross billings of Sula Shiraz Cabernet amounted to ₹918.26 million, ₹475.64 million and ₹319.73 million in Fiscal 2022 and for the six months period ended September 30, 2021 and September 30, 2022, respectively.

Their business broadly classified under two categories (i) the production of wine, the import of wines and spirits, and the distribution of wines and spirits (the Wine Business); and (ii) the sale of services from ownership and operation of wine tourism venues, including vineyard resorts and tasting rooms (the Wine Tourism Business). However, since the Wine Tourism Business is incidental and complements the overall Wine Business, the Company's chief operating decision makers (which includes their CEO, CFO, COO and members of the board) monitor and review the operating result of the Group as a single operating segment of manufacture, purchase and sale of alcoholic wines and spirits.

Sula distribute wines under a bouquet of popular brands. In addition to the flagship brand Sula, popular brands include RASA, Dindori, The source, Satori, Madera & Dia with its flagship brand Sula being the category creator of wine in India. Currently, sula produce 56 different labels of wine at four owned and two leased production facilities located in the Indian states of Maharashtra and Karnataka. Furthermore, they are among the top ten most followed vineyards in the world, with a large following on social media of approximately 118,000 followers on Instagram, approximately 123,000 likes on Facebook and approximately 14,000 followers on Twitter as on September 30, 2022.



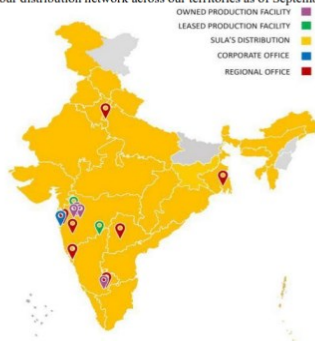
Furthermore, sula wines are available at various price points between ₹250 to ₹1,895 per 750 ml bottle in Maharashtra, making them accessible for consumers with different budgets appealing to mass markets as well as having a premium product strategy. In particular, their wines are classified under four broad categories, namely the Elite category with 21 labels, followed by the Premium category with 13 labels, and the Economy category with 13 labels, and the Popular category offering 9 labels. Sula wines have been segment leaders under each of these four categories in the last six years from Fiscal 2017 to Fiscal 2022.

Sula consumer proposition focuses on offering their consumers extensive varieties of wine at varying price points, with 56 labels to choose from a portfolio of 13 distinct brands as of September 30, 2022. Furthermore, their wines are available at various price points between ₹250 to ₹1,895 per 750 ml bottle in Maharashtra, making them accessible for consumers with different budgets appealing to mass markets as well as having a premium product strategy. In particular, sula wines are classified under four broad categories, namely the Elite category with 21 labels, followed by the Premium category with 13 labels, and the Economy category with 13 labels, and the Popular category offering 9 labels. Sula wines have been segment leaders under each of these four categories in the last six years from Fiscal 2017 to Fiscal 2022. Their D2C sales were ₹157.53 million, ₹72.81 million and ₹242.01 million during the six months period ended September 30, 2022 and September 30, 2021, and the Financial Year ended March 31, 2022, respectively. Sula is one of the fastest growing alcoholic beverage companies in India as of March 31, 2021, with a CAGR of 13.3 per cent. between Fiscals 2011 and 2022. They have emerged stronger in the aftermath of the COVID-19 pandemic, gaining additional market share and accelerating their profitability. In Fiscal 2022, its revenue from operations was ₹4,539.16 million with a net sales margin¹ of 69.83 per cent, and profit after tax of ₹521.39 million in the same period. For the six months period ended September 30, 2022 and September 30, 2021, their revenue from operations was ₹2,240.68 million and ₹1,591.50 million, with a net sales margin¹ of 74.32 per cent. and 70.39 per cent., and profit/(loss) after tax of ₹305.06 million and ₹45.31 million in the same periods, respectively.

Distribution Network

Company's distribution platform included over 50 distributors, 11 corporations, 14 licensed resellers, 7 company depots, 3 defence units as of September 30, 2022, over 23,000 points of sale (including over 13,500 retail touchpoints and over 9,000 hotels, restaurants and caterers) as of March 31, 2022. As of September 30, 2022 they had a sales force of 141 permanent employees. They have over the years successfully built and managed their large distribution network, developing strong relationships with their distribution and retail partners across their territories.

The following map sets out our distribution network across our territories as of September 30, 2022:



Competition

Indian alcoholic beverage market has strong market leaders in all the segments controlling majority of the markets. Given the nature of industry and strict regulations, there are high entry barriers in the industry. Established players are well entrenched with manufacturing units across the country, collaboration for raw material and working relationship with state and central government officials. Indian spirits market is controlled by the top two spirits companies of the world. The top three players in the spirits market control close to 50 per cent. of the spirits market in India by volume in Fiscal 2022. The top three players in beer market control close to 80 per cent. of the beer market by volume in Fiscal 2022. In case of wines, top three players controlling close to 80 per cent. by value of the domestic grape wine market, and they are the leader of the domestic wine segment with a market share of 52 per cent. in Fiscal 2022 by value. There is a long tail of players in each of the segments with regional strong players especially in spirits' market. They are well-positioned to compete with the companies given their strategy and their market leader position in the Indian wine industry with the leading brand Sula.



Industries Overview

India is one of the fastest growing alcoholic beverage markets in the world, growing from a small base of 1.3 litres per capita of recorded consumption in 2005 to 2.7 litres in 2010. However, the per capita consumption of wine in India is less than 100 ml, with the contribution of wine to overall alcohol consumption being less than 1%, compared to the world average of close to 13%. In addition to the growth in per capita alcohol consumption, positive demographic factors, including the addition of more than ten million people each year to the population of eligible alcohol consumers, makes India one of the most attractive markets for alcoholic beverages. The Indian wine market crossed 2.5 million cases in Fiscal 2020 and is expected to grow at a CAGR of 14.3% in terms of volume from Fiscal 2021 to Fiscal 2025 with domestic players dominating volumes. The share of wine as a form of alcohol consumption in India in Fiscal 2021 was less than 1%, whereas globally, the contribution of wines to alcohol consumption was close to 13.5% (in terms of 100% pure alcohol in calendar year 2021) during the same period, suggesting significant room for growth.

Product Portfolio

Our "RASA" range of wines



Our "Sula" range of wines



Our "The Source" range of wines



Our "Dindori" range of wines



Industries Peers Comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
Sula Vineyard Ltd	2	453.91	6.58	55.34	NA	11.45%
Peer Group						
United Sprits Ltd	2	31,062	11.68	67.09	76.14	16.63%
Radico Khaitan Ltd	2	12,470.50	19.70	149.46	53.36	13.18%
United Breweries Ltd	1	13,123.92	13.82	148.99	119.83	9.29%

Utilization of IPO Proceeds

The company propose to utilize the Net proceeds of fresh issue towards funding of the objective:

1. General Corporate Purpose.
2. achieve the benefits of listing the Equity Shares on the Stock Exchanges.

Company's Promoter

Rajeev Samant is the Promoter, Managing Director, Chief Executive Officer of the company. He is the founder of the company. He has previously worked with Oracle Corporation.

Board of Directors

It boards of directors include Chetan Rameshchandra Desai who is the chairman and Non-Executive Independent Director of the company. Rajeev Saman is the MD and CEO of the company. Alok Vajpeyi, Sangeeta Pendurkar, are Non-Executive Independent director of the company. Arjun Anand and Roberto Italia are the Non-Executive Nominee Director of the company.



Companies Competitive Strength :

- High barriers of entry.
- Established market leader in the Indian wine industry with the leading brand Sula.
- Largest wine producer in India with the widest and innovative product offering supported by an efficient production mechanism.
- Largest wine distribution network and sales presence.
- Secured supply of raw material with long-term contracts exclusive to Sula.
- Leader and pioneer of the wine tourism business in India.
- Early adoption and focus on sustainability.
- Experienced Board, qualified senior management team.

Key Strategies Implemented by Company

- Continuous focus on their Own Brands.
- Focus on premiumization of their product portfolio.
- Increasing wine awareness and consumption, and penetrating further into Tier-1 and 2 cities in India.
- Effectively use digital media to increase awareness of wine in India.
- Continue to expand their Wine Tourism Business.
- Continue to make sustainability and climate change readiness the heart of their long term strategy.

Particulars (Rs Cr)	2022	2021	2020
Equity Share Capital	15.72	15.08	15.04
Reserves	379.45	289.66	284.90
Net worth as stated	395.26	304.74	299.95
Revenue from Operation	453.92	417.96	521.36
Revenue Growth (%)	8.60%	(19.87)%	-
EBITDA as Stated	116.07	64.51	50.49
EBITDA margin (%)	25.57%	15.44%	9.68%
Profit Before Tax	69.54	3.19	(17.04)
Net Profit for the period	52.14	3.01	(15.94)
Net Profit (%) as Stated	11.49%	0.72%	(3.06)%
EPS (₹)	6.79	0.40	(2.09)
RoNW (%)	13.19%	0.98%	(5.23)%
Net Asset Value (₹)	50.29	40.42	39.88

Valuations and Recommendation:

- Company's earnings stood at 40.63 Cr in FY2022. Company is expected to have post Market cap of 3,006 Cr, and based on annualized earnings of 9MFY23. its earnings multiple (P/E) arrives at 73.89(x).
- The valuations are in line with listed peers and company holds potential to offer robust growth in Indian's winery industry hence, We recommend "Subscribe" rating to the issue for Listing gains.



Notes

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