

One Stop Investment Avenue



**GEPL**  
CAPITAL™



Initiating Coverage  
**SULA VINEYARDS LTD**  
Cheers to the Growth



Equity | India | FMCG

Jun 30, 2023

## SULA VINEYARDS LTD

Initiating Coverage

CMP: INR 459 | Target: INR 601

Upside / Downside: +31% | Rating: BUY



Jun 30, 2023

### Market Info (as on Jun 28, 2023)

BSE Sensex	63,915
Nifty S&P	18,972

### Stock Detail

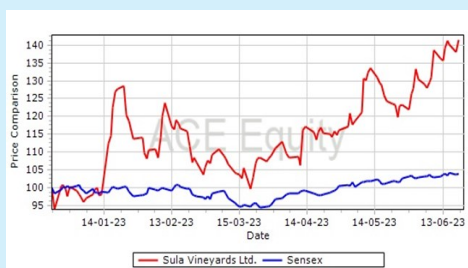
BSE Group	B
BSE Code	543711
NSE Code	SULA
Bloomberg Code	SULA:IN
Market Cap (INR Cr.)	3,871
Free Float (%)	72.67%
52wk Hi/Lo	482 / 305
Avg. 20 Day Volume (NSE)	8,92,320
Face Value (INR)/ D. Yield (%)	2 / 1.11
Total Paid Up Eq. Shares (Mn.)	75.66

Promoters	Public	Others
27.33	72.67	–

### Financial Snapshot

Particular	FY23	FY24E	FY25E	FY26E
Net Sales	516	590	688	808
EBITDA	157	174	207	245
PAT	84	97	120	145
EPS	10.0	11.5	14.2	17.2
ROE (%)	18%	16%	16%	17%
ROCE (%)	25%	22%	23%	23%
P/E	44.8	40.9	33.2	27.4
EV/EBITDA	26.6	24.1	20.0	16.7

### Share Price Performance



Rel. Perf.	1Mth	3 Mths	6Mths	1Yr
SULA (%)	14.0	42.1	30.7	N/A
Sensex (%)	2.9	9.5	2.3	22.2

Mr. Harshad D. Gadekar

Research Analyst, Fundamental Desk

harshadgadekar@geplcapital.com

+91-22-66142685

### Summary

We Initiate Coverage on Sula Vineyards Ltd (hereafter 'SULA') with a 'BUY' rating and target Price of INR 601 implying 31% upside. SULA is a leading wine manufacturer with largest installed capacity. Being an early mover in a nascent stage wine market, SULA Vineyards has established a strong brand recall. Company offers wide range of label across various flavours and price points. Change in its product mix has helped to improve profitability. Growing urbanization, social drinking to drive growth of Wine market and SULA expected to benefit from the same.

Wine consumption in India is expected to grow at 15%, similar to China due to increase in per capita income. Company's board of directors has strong background along with execution capabilities and company ready to capture growth opportunities in the industry.

### Investment Rationale

#### Demand to Funnel Towards SULA being a Well Established Player in a Growing Market.

SULA is a consistent market leader in wines (value & volume) from 2009, company holds market leading position across categories (Elite, Premium, Economy & Popular). It has established as dominant player (capacity & market share) in a Wine industry which is at cusp of robust growth. Over the years, company created a recognized brand value of "SULA" through use of tourism and social media and it does command a strong recall in consumer mind, hence there is a healthy merit to expect funneling of the any incremental demand towards SULA, We estimate it to grow topline at 16% for FY24-26E period.

#### Major Revamp in Product Mix to Make Recent profitability Sustainable.

Company has witnessed a healthy gradual change in its products mix resulting in increased revenue from its Own Brands vis-s-vis Third party distributions during last 3 years. The own brands contribution increased to 95% (FY23) from 67% in FY20 in Wine business. The Own brands command pricing power compared to third party distributions which led to EBITDAM to 30.5% (FY23) from 14% (FY20). We believe, this is a major revamp in its business model and expects company to continue on higher revenue through own brands there by making recent profitability on a sustainable basis.

#### Working Efficiently in Capital intensive Wine Business; Creates entry barriers

Due of heavy working capital cycle company has Asset turns of 0.6(x), however higher profit margins makes its business efficient (in terms of ROCE) and able generate higher cash. Wine Industry has relatively capital intensive operations compared to other Alcobev products. The typical wine production cycle is stretched due to factors such as natural fermentation and aging unlike the distilled spirits. The new entrants need ensure optimal working capital management along with robust estimate of upcoming wine demand creating an entry barrier in wine segment.

#### 'Cans' method of Distribution could be a Dark Horse.

Wine growth is consistent with growing urbanization and social and in-House drinking. The proposed plan for Can version of Wine holds good potential for SULA and could be next level of growth trigger.

#### Reasonable Valuations; Initiate with a "BUY"

Company's stock trades at Forward PE(x) of 27.4 for FY26E earnings, reasonable considering its 16% estimated growth and market position, we use 35(x) target earning multiple to arrive at a Price target of INR 601 (31%) and initiates on SULA with a "BUY" rating.



## Company Profile

Sula Vineyards, India's leading wine producer, is known for its premium wines and commitment to excellence. With wineries in Maharashtra and Karnataka, they operate in the country's top grape growing regions. Founded by Rajeev Samant in 1996, Sula has been instrumental in transforming the Indian wine industry through innovation and sustainable practices. Today, it is a globally recognized brand with a diverse portfolio of award-winning wines, spanning red, white, rosé, and sparkling varieties.

- Incorporation year: 2003
- Chairman: Mr. Chetan Ramchandra Desai
- Managing Director: Mr. Rajeev Samant
- Company Secretary: Ms. Ruchi Sathe
- Head Office: Andheri, Maharashtra, India
- Auditor: M/s Walker Chandiok & Co LLP

## WHAT IS WINE ? AND HOW IT IS MADE

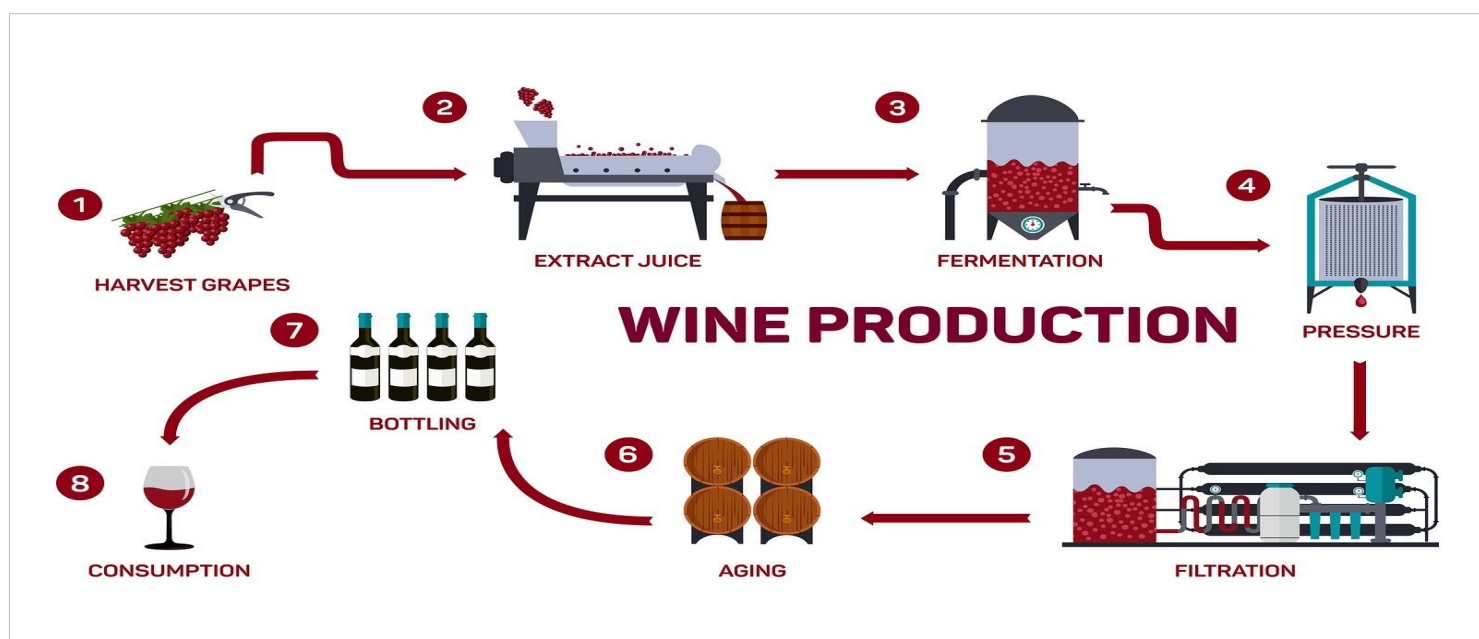
### WHAT IS WINE ?

Wine is an alcoholic beverage made from fermented grapes, distinct from other drinks due to its production process. Unlike spirits, which are distilled to increase alcohol content, wine is produced through natural fermentation. The sugars in grape juice are converted into alcohol by yeast, resulting in a lower alcohol content compared to spirits. Additionally, wine offers a wide range of flavors, aromas, and textures influenced by grape varieties, terroir, and winemaking techniques. Its diversity and complexity make wine a unique and sought-after beverage among enthusiasts. The alcohol content in Wine ranges from 11% to 14% depending upon the blending.

### WINE MANUFACTURING CYCLE

- **Grape Harvesting:** Grapes are carefully hand-picked or mechanically harvested, considering factors such as ripeness and quality.
- **Sorting and Crushing:** Grapes undergo sorting to remove any undesirable or damaged fruit, followed by gentle crushing to release the juice.
- **Fermentation:** The must is transferred to fermentation vessels, where yeast converts sugars into alcohol through fermentation.
- **Pressing and Clarification:** After fermentation, the wine is pressed to separate liquid from solids, clarifying the wine.
- **Aging and Maturation:** Wine is aged in various containers like oak barrels or stainless steel tanks to develop flavors and complexity.
- **Blending and Fining:** Winemakers blend different wines or grape varieties to achieve desired flavor profiles, and may add fining agents for clarification.
- **Filtration and Stabilization:** Filtration removes remaining solids or microbes, while stabilization prevents unwanted reactions.
- **Bottling and Packaging:** The finished wine is transferred to bottles, which are cleaned, sterilized, and sealed with closures. Labels and branding elements are applied.

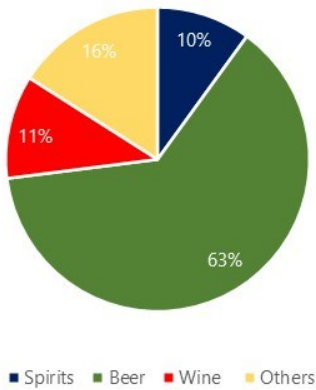
Exhibit 01- Wine Manufacturing Process



Source: hmhub

## GLOBAL AND INDIAN ALCOHOL CONSUMPTION PATTERNS

Exhibit 02- Global Alcobev Consumption (CY21)

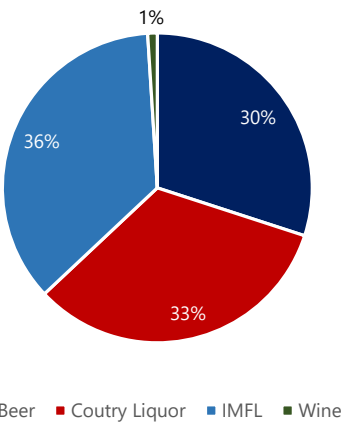


Source: Company Data, GEPL Capital

### GLOBAL COMSUMPTION DOMINATED BY BEER

Alcohol consumption is divided into three major categories: spirits, beer, and wine, each with different consumption trends across countries, Globally Beer forms large pat in overall Alcobev consumption (63% share) followed by Wines (11%), Spirits (10%) and others (16%). While developed economies have a more established pattern of consumption, developing countries are still undergoing transitions. Developing countries lean towards spirits, whereas developed countries have a higher preference for beer and wine. In terms of volume, beer remains the largest category consumed. Wine consumption closely rivals that of spirits in terms of sales volume. According to the World Health Organization (WHO), wine's contribution to total alcohol consumption has steadily increased from 8.6% in 2005 to 11.7% in 2016, with an estimated rise to 13.5% in CY 21 based on recorded 100% pure alcohol consumption.

Exhibit 03- India Alcobev Consumption (CY21)

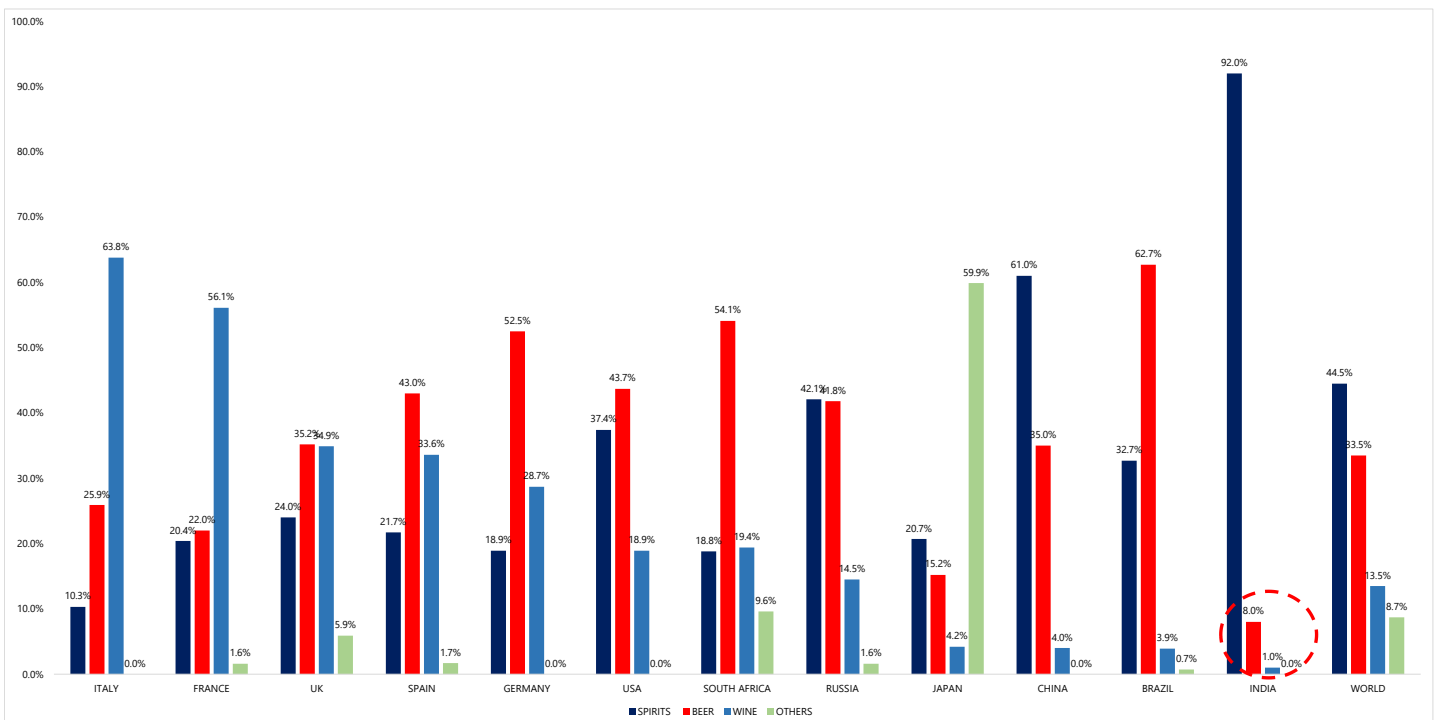


Source: company data, GEPL Capital

### INDIAN MARKET 92% DOMINATED BY SPIRITS CONSUMPTION.

India is primarily a spirits-dominated market, with over 90% of alcohol consumption attributed to spirits. The per capita consumption of spirits in India ranks among the highest among major global economies. When compared to global averages, low alcoholic beverages constitute more than 50% of overall alcohol consumption. In developed countries, this figure exceeds 75% of total consumption, while in China, it surpasses 30%. However, India's share of low alcoholic beverages stands at approximately 8%, indicating significant potential for correction in favor of wine and beer categories. This suggests a prolonged period of transition where wine and beer are expected to gain prominence in the Indian market. In India, the per capita consumption of wine is less than 100 ml, accounting for less than 1% of overall alcohol consumption. This is significantly lower compared to the global average of around 13%, with developed countries in Europe reaching nearly 30% wine consumption. When comparing India and China, although wine contributes to only about 3% of overall alcohol consumption in China, China's per capita wine consumption is more than 50 times that of India.

Exhibit 04- Global Alcobev Consumption (CY21)

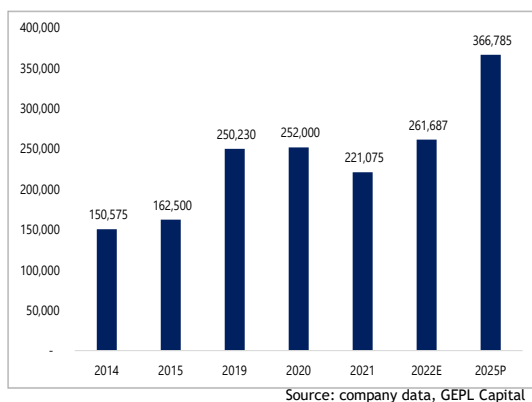


Source: company data, GEPL Capital

**INDIA'S ALCOBEV INDUSTRY****INDUSTRY ESTIMATED TO REACH INR 3,66,785 CR IN VALUE BY 2025P.**

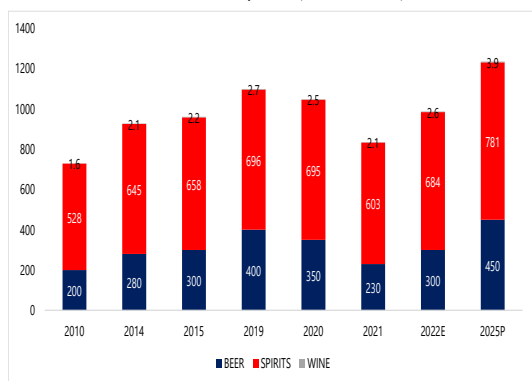
India is experiencing rapid growth in its alcohol market, making it one of the fastest-growing among major economies. The per capita consumption of pure alcohol in India has increased significantly, from 0.9 liters in 2000 to 3 liters in 2015, with a compound annual growth rate (CAGR) of over 8%. Currently, approximately 41.7% of the global population consumes alcohol, and this figure is expected to stabilize around 40% by 2025. In India, the percentage of the population that drinks alcohol is projected to reach approximately 33% in FY 2021 and 39% by 2025. In FY 2020, the Indian alcohol industry was estimated to be over one billion cases per year. From 2000 to 2010, the recorded per capita consumption of pure alcohol increased from 0.9 liters to 2.7 liters, showing a robust compound annual growth rate (CAGR) of approximately 12%. However, since 2015, the recorded per capita consumption has remained steady at around 3 liters. The Indian alco-beverage market is the third largest globally, trailing only China and the USA in terms of actual alcohol content volume in CY 2020. It holds the title of being the largest market for Western spirits. Projected to grow at a CAGR of 8% in volume from FY 22 to FY 25, the Indian market outpaces the expected global market growth of 1.5% during the same period, according to IWSR. In terms of value, the Indian market is forecasted to grow at a rapid pace of 12% per annum from FY 22 to 25. The market is predominantly driven by Indian Made Foreign Liquor (IMFL), contributing about 67% of the overall market value in FY 22. The Indian spirits market is dominated by the top two global spirits companies. In FY 2022, the top three players in the spirits market collectively hold nearly 50% of the market share in terms of volume. Similarly, in the beer market, the top three players control around 80% of the market share by volume. In the case of wines, the top three players command approximately 80% of the market value in the domestic 100% grape wine segment. Alongside these key players, there is a presence of numerous regional strong players, particularly in the spirits market.

Exhibit 05- India Alcobev Market (INR Cr)



Source: company data, GEPL Capital

Exhibit 06- Alcobev Consumption (In Mn Cases)



Source: company data, GEPL Capital

Exhibit 07- Major Indian Alcobev Players

Alcohol	Company	Brands
Spirits.....	Diageo India	McDowell No. 1, Royal Challenge, Signature, VAT 69, Black Dog, Johnnie Walker
	Pernod Ricard	Imperial Blue, Royal Stag, Blenders Pride, 100 Pipers, Ballentine's, Chivas, Glenlivet
	Radico Khaitan	8 PM, Magic Moments
	Allied Blenders	Officer's Choice Blue, Officer's Choice Black, Sterling Reserve B7, Sterling Reserve B10
Beer .....	United Breweries	Kingfisher, Kalyani Black label, Sandpiper, Heineken
	Anheuser-Busch InBev NV	Haywards, Fosters, Budweiser, Corona
	Bira 91	Bira Light, Bira Strong, Bira Blonde, Bira White
	Carlsberg	Tuborg, Carlsberg
Wine .....	Sula Vineyards	Sula Shiraz cabernet, Sula chenin Blanc, Sula Zinfandel Rose, Madera Red, Dindori Reserve Shiraz, Satori, Samara Red, Rasa Cabernet Sauvignon, The Source Grenache Rose, Dindori Reserve Chardonnay, Sula Sparkling Shiraz
	Grover Zampa	LA Reserve, Vijay Amritraj White, Chene Grand Reserve
	Fratelli	Shiraz, Merlot, Sete

Source: company data, GEPL Capital

## INDIA'S WINE MARKET OUTLOOK

Exhibit 08- India Wine Market in (Mn Cases)

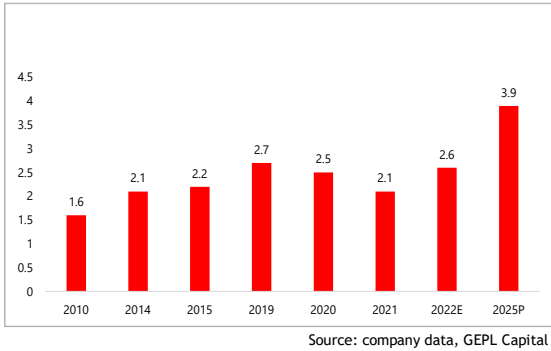
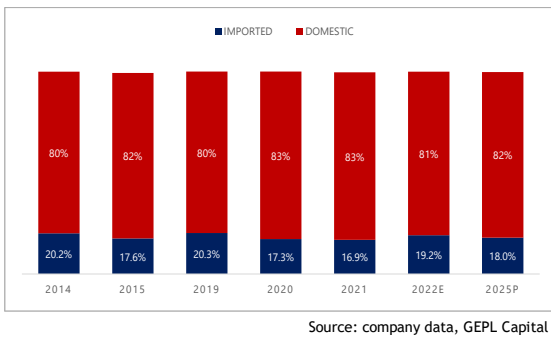


Exhibit 09- India Wine Import vs Export (Mn cases)



### INDIAN WINE MARKET ESTMATED TO GROW AT 15% (2022-2025P)

The Indian wine industry is in its early stages compared to larger markets like China, France, and Italy, it is expected to grow at 15% volume CAGR during 2022-2025P period. However, as wines gain popularity in the On-Trade channel, more consumers are discovering this emerging category. The On-Trade channel is crucial for product discovery and attracting new customers. Off-Trade sales will capitalize on the excitement generated in the On-Trade channel and significantly expand the category's size. The Covid-19 pandemic has already led to high Off-Trade sales, and this trend will continue as people become accustomed to drinking at home. Wine is increasingly popular as a social drink for in-home consumption. Sula Vineyards dominates the On-Trade segment, holding over 50% market share. Not only is Sula Vineyards the leader in on-trade channels, but it has also achieved remarkable off-trade sales growth in the past three years. In Fiscal 2021, its off-trade sales accounted for a significant 74% of its total sales, compared to 60% in Fiscal 2020. Sula Vineyards serves approximately 8,000 hotels, solidifying its strong presence in the industry.

### GROWING MARKET WITH DOMESTIC FOCUS

While imported wines have played a significant role in developing the wine category in India, domestic wines are gaining traction in the market. The contribution of imported wines is expected to slightly decline from 19% in volume in FY 2020 to 18% by volume in FY 2025. International wine players have faced challenges in establishing themselves in the Indian market, as they have relied on importers rather than investing in local vineyards. Integrated alco-beverage industry players have made attempts to enter the Indian wine market but with limited success, mainly due to a lack of focus given the smaller size of the business compared to the more profitable spirits market in the country. Currently, the top two players in the spirits market have limited involvement in the wine category through imports. However, the expanding Indian wine market may attract interest from large international players, considering the market's long-term potential.

Exhibit 10- Wine Imports to India (FY20)

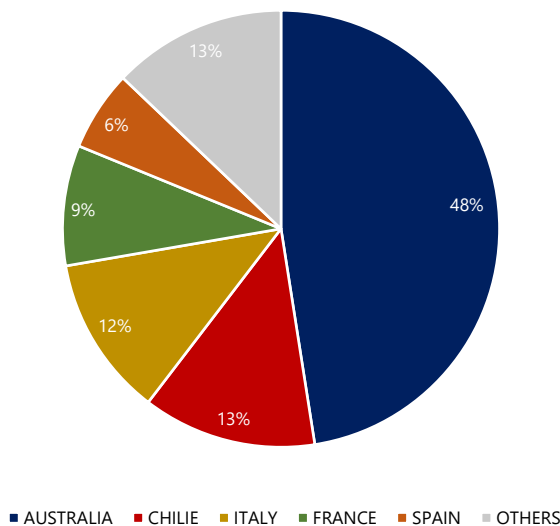
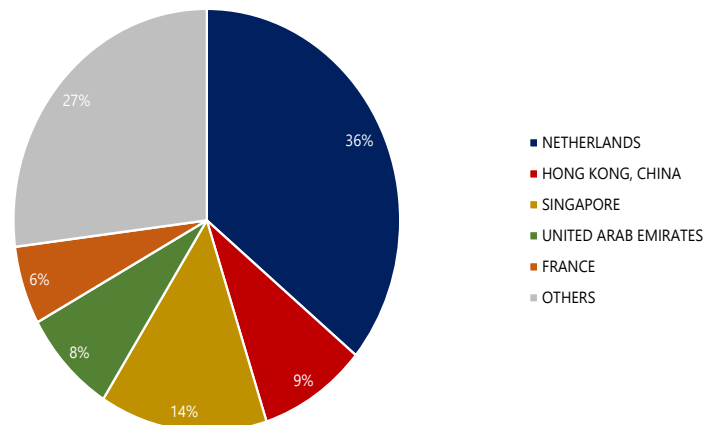


Exhibit 11- Wine Exports From India (FY20)

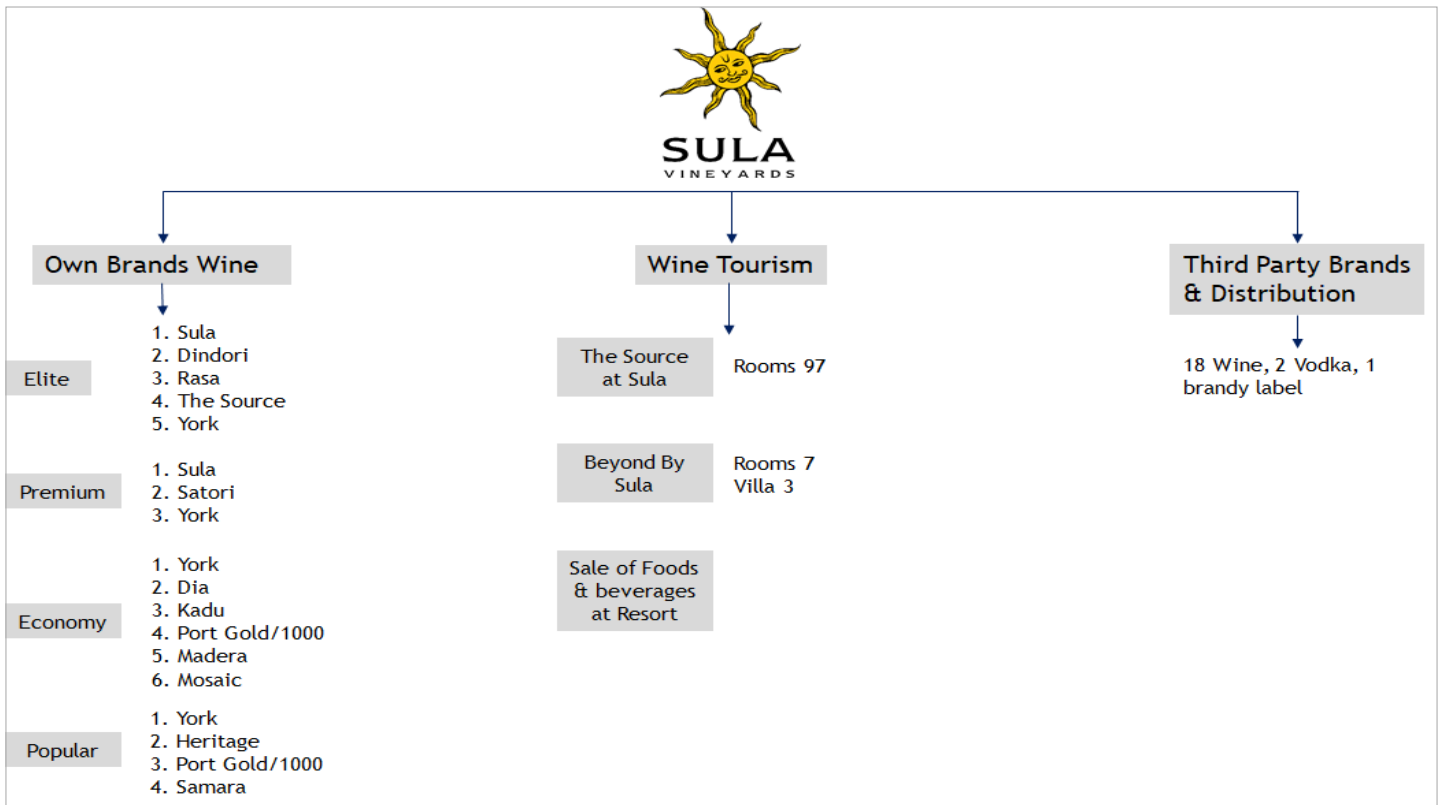


Source: company data, GEPL Capital



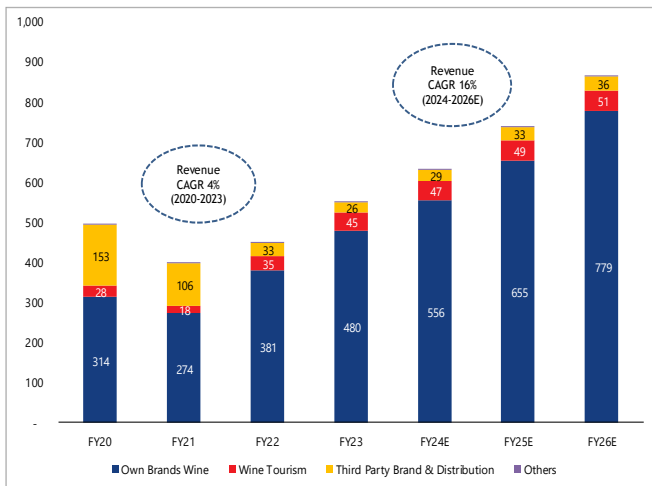
## COMPANY BRANDS AND SERVICES

Exhibit 12- Company at a Glance



Source: Company data, GEPL Capital

Exhibit 13- Segment wise Revenue mix

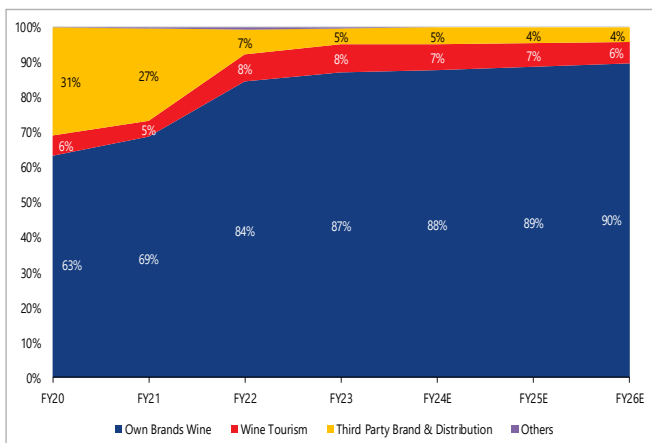


Source: GEPL Capital estimates, Company data

### TOPLINE ESTIMATED TO GROW AT 16% CAGR.

SULA has reported a revenue growth of 4% during FY20-FY23 and is estimated to clock 16% topline CAGR of FY24-FY26E period due to continuation of its dependence on its Own brands. The Wine industry in India is projected to grow at 15% volume CAGR by 2025P and while management of SULA has guided similar 15% volume and additional 2-3% value growth in the topline for next 2-3 years. Company being major leading player to act as market maker in our opinion. The awareness about Wine and SULA brand set to increase as company management plans to emphasis significantly on overall Advertisement and marketing expenses. The full scaled mode of proposed Canned version of Wines hold potential to bring volumes and remains potential dark horse for next level of growth driver.

Exhibit 14- Own Brands Revenue to forms large part



Source: GEPL Capital estimates, Company data

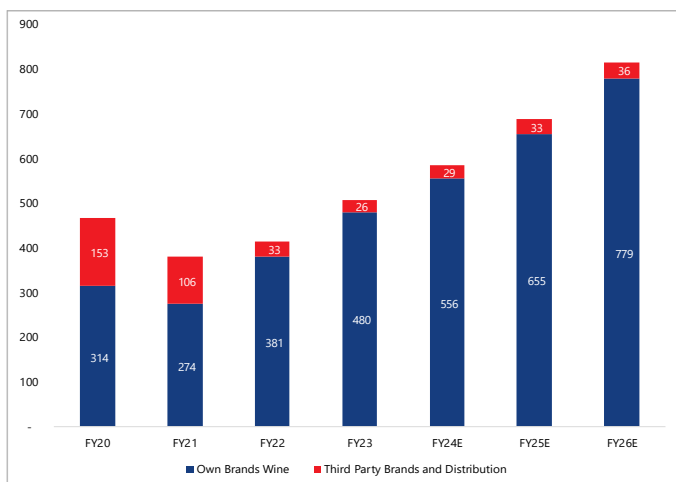
### TRANSITIONED TO A FOCUSED COMPANY ON OWN BRANDS.

The Third party brand and distribution used to be significant portion (31%, FY20) and (27%, FY21) of the topline which company has gradually reduced down to 7% and 5% in FY22 % FY23 respectively. The Third party brands and distribution business is a trading operation in nature and hence resulting in overall lower margins the years post pandemic has helped company to scale up sales of its Own brands (holds pricing power) and it has successfully operated with the same along with significant growth in topline shows success of its brands along with sustainability in the trend. This aided in improving profitability along with revision in return ratios.



## WINE BUSINESS AND WINE TOURISM

Exhibit 15- Increased focus on own brands to drive sales



Source: GEPL Capital estimates, Company data

### (A) OWN BRANDS (OWN BRANDS AND THIRDPARTY DISTRIBUTION)

Company has 10 major brands in its Own bands under which is sales various labels are different price points, as it also has 18 wines, 2 vodka and 1 brandy label under third party distribution. Company has well brand recognition under SULA brand. The wine business has reported a sale of INR 503 Cr in FY23 and is estimated to grow at 17% CAGR during FY24-FY26E. Company also plans to popularize Wines through sale of Can mode which may enable to tap-in additional volumes. The popularization of Canned wines similar to Beer holds healthy prospects for SULA’s Topline.

### (B) WINE TOURISM

Company also has a differentiated approach in its Wine servings, as it also generates revenue from it resorts/Villas at two locations names as “Beyond By Sula” with 7 rooms, 3 villas and “ The Source at Sula” with 67 rooms at Nashik location. Company generates equivalent revenue to Room rents from the foods and beverages served (ex-alcoholic drinks) during rented period. Sula has testing rooms at its places to taste wines for visitors. Wine tourism business provides physical appearance to its brands aiding in gaining market share in visitors mind.

Exhibit 16- Own Brands sales increased to 33%

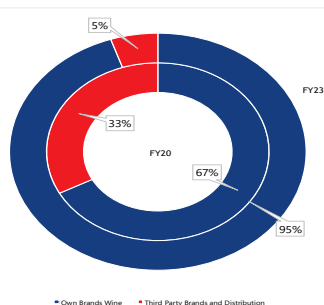
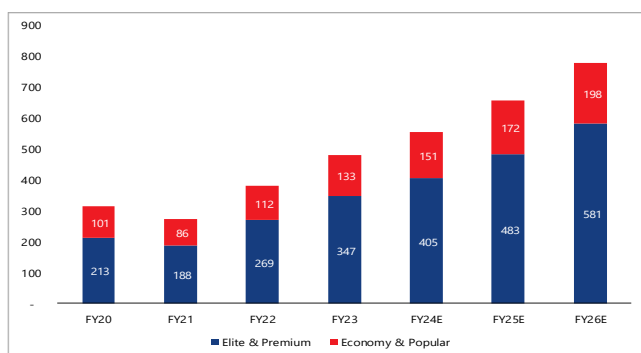
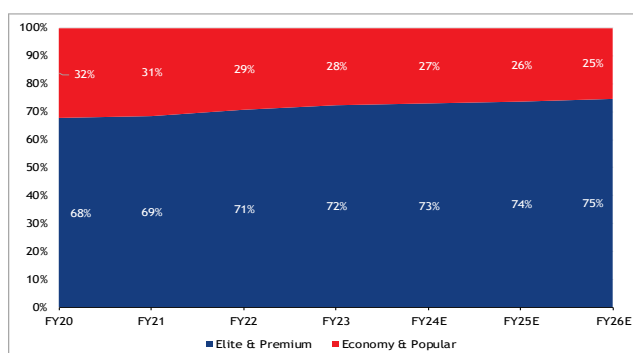


Exhibit 18- Elite and Premium segment forms large part



Source: GEPL Capital estimates, Company data

Exhibit 17- Elite & Premium sales to scale towards INR 581 Cr



Source: GEPL Capital estimates, Company data

Elite and Premium segment forms large part

Resorts and Villas	FY20	FY21	FY22	FY23	FY24E
<b>BEYOND BY SULA</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>
Rooms	7	7	7	7	7
Villa	3	3	3	3	3
Occupancy	75.6%	56.4%	82.3%	65.0%	65.0%
<b>THE SOURCE AT SULA</b>	<b>67</b>	<b>67</b>	<b>67</b>	<b>97</b>	<b>100</b>
Rooms	67	67	67	97	100
Occupancy	63.8%	41.2%	68.9%	65.0%	64.0%
Total Avg Occupancy	66.5%	43.7%	71.0%	82.4%	75.0%
Total Avg Revenue (INR)	8,759	9,044	10,367	10,568	10,500
A: Total Room Revenue (INR Cr)	9.33	8.79	17.07	22.00	23.97
B: Sales Food & Beverages (INR Cr)	18.83	9.34	17.61	23.00	23.00
% of Room Revenue	2.02	1.06	1.03	1.03	1.03
<b>Total Wine Tourism Revenue (INR Cr)</b>	<b>28.16</b>	<b>18.13</b>	<b>34.68</b>	<b>45.00</b>	<b>46.97</b>

Source: GEPL Capital estimates, Company data

## SULA WINES CAPACITY AND UTILIZATION

Exhibit 19- Total Capacity

<i>Total capacity (Lakh ltrs)</i>	FY20	FY21	FY22	FY23	FY24E
<b>A: Maharashtra</b>	121.5	122.7	127.9	148.5	155.8
Nashik winery	45.6	46.0	46.6	46.4	46.4
Domaine Dindori	66.5	66.5	66.6	87.4	94.7
Leased Winery 1	9.9	10.0	9.9	9.9	9.9
York Winery (ASPL)	0.0	0.0	4.8	4.8	4.8
<b>B: Karnataka</b>	17.9	17.8	18.1	18.1	18.1
Domaine Sula	11.3	11.3	11.4	11.4	11.4
Leased Wine 2	6.8	6.6	6.7	6.7	6.7
<b>Total (A+B)</b>	139.6	140.7	146.2	167.0	181.0
<b>growth</b>		0.8%	3.9%	14.2%	8.4%

Source: Company data, GEPL Capital

Exhibit 20- capacity Utilization

<i>Capacity Utilization (%)</i>	FY20	FY21	FY22
<b>A: Maharashtra</b>	66%	70%	80%
Nashik winery	60%	63%	79%
Domaine Dindori	69%	74%	79%
Leased Winery 1	70%	77%	90%
York Winery (ASPL)	-	-	82%
<b>B: Karnataka</b>	59%	63%	73%
Domaine Sula	68%	72%	81%
Leased Wine 2	43%	47%	60%
<b>Total (A+B)</b>	65%	69%	79%
<b>Wine Business (INR Cr)</b>	332	287	381

Source: Company data, GEPL Capital

### INDIA'S LARGEST INSTALLED WINE CAPACITY...

SULA has India's largest installed Wine capacity of 167 Lakh litres as on FY23. It has scaled the same from 139 Lakh litres in FY20 and estimated to be 181 lakh litres of capacity by FY24E. Its wine capacities are spread across Maharashtra and Karnataka with 148.5 lakh litres and 11.4 lakh litres capacity respectively. Its largest single location capacity (87.4 lakh litres) situated in Dindori tahsil (Nashik District) followed by 46.4 lakh litres in Nashik. IT also owns two leased wines in Maharashtra and Karnataka with capacity of 9.9 lakh litres and 6.7 lakh litres respectively. The second largest installed capacity after SULA is with Grover Zampa Wines (4700 lakh litres) followed by Fratelli Wines (1400 lakh litres) which explains dominant size of Sula Wines.

### ....ALONG WITH HEALTHY CAPACITY UTILIZATION.

The India's Largest installed wine capacities are being used with healthy capacity utilization as it has averaged at 71% in last three years. The company has to keep 25% of capacities for buffer use and thus making its 80-90% utilised (ex-buffer). Company has increased its capacity each year from FY23 with reported increase in capacity utilization signalling robust demand for its products, Despite being No 1 capacity holder. We expect this to continue ahead due to change in estimated product mix towards its own brands rather than third party distribution. Hence capacity expansion is going to be parallel with top-line growth along with other major expenses such as marketing & Advertisement.



Source: Company data

## WINE LABELS AND PRICING

Exhibit 22- Category wise labels

Category	Brands	Labels
<b>Elite (INR 950+)</b>	Sula	Brut, Brut Tropicale, Sparkling Shiraz, Riesling, Late Harvest Chenin Blanc
	Dindori	Viognier, Chardonnay, Shiraz
	RASA	Syrah, Cabernet Sauvignon, Zinfandel
	The Source	Cabernet Sauvignon, Grenache Rosé, Sauvignon Blanc, Moscato, Chenin Blanc Reserve
	York	Arros, York Late Harvest Chenin Blanc, H Block Chardonnay, Sparkling Rosé, Sparkling Cuvée
<b>Premium (INR 700-950)</b>	Sula	Shiraz Cabernet, Zinfandel Red, Chenin Blanc, Sauvignon Blanc, Zinfandel Rosé, Seco, Seco Rosé
	Satori	Satori
	York	York Shiraz, York Cabernet Merlot, York Chenin Blanc, York Sauvignon Blanc, York Rosé
<b>Economy (INR 400-700)</b>	York	All Rounder Red, All Rounder White
	Dia	Dia Red, Dia White
	Kadu	Cabernet Shiraz, Chenin Blanc, Shiraz Rosé
	Port Gold/1000	Port Gold
	Madera	Madera Red, Madera White, Madera Rosé
	Mosaic	Mosaic Red, Mosaic White
<b>Popular (INR &lt;400)</b>	York	Manthan Red, Manthan White, G9 Port, G9 Premium Port, White Port
	Heritage	Heritage Red
	Port Gold/1000	Port 1000
	Samara	Samara Red, Samara White

Source: Company data, GEPL Capital

Exhibit 23- Brand wise Pricing

Brands	Labels	Price (INR)
Rasa	Carbenet Sauvignon	1895
	Syrah	1795
	Zinfandel	1595
The Source	Carbenet Sauvignon	1250
	Sauvignon Blanc Reserve	1195
	Grenache Rose	1150
	Moscato	1500
	Chenin Blanc	750
York	Arros	950
	Hblock	950
	York Rose	775

Brands	Labels	Price (INR)
Dindori	Reserve Shiraz	1250
	Reserve Chardonnay	1150
	Reserve Viognier	975
Sula	Brut Tropicale	1550
	Sparkling Shiraz	1450
	Brut	1450
	Late Harvest Chenin Blanc	1095
	Shiraz Cabernet	950
	Riesling	925
	Chenin Blanc Reserve	850
	Zinfandel	795
	Sauvignon Blanc	775
	Zinfandel Rose	775
	Satori	760
	Chenin Blanc	750

Source: Company data, GEPL Capital

### COVERAGE OF MULTIPLY FLAVOURS AND PRICE POINTS OFFERS DIVERSED PRESENCE

SULA has coverage across Elite (INR 950+), Premium (INR 700-950), Economy (INR 400-700) and Popular category (INR <400) along with production in multiple Flavors enables company to tap-in demand across price and taste points. It has one the widest offerings in wine market. Increased focus in Own brands to generate higher sales per unit sold and hence increase in profitability.



Exhibit 24- Sula Elite brands pictorial

## SULA ELITE BRANDS



- These are elite category Wines of SULA sold under RASA category
- Manufactured with flavors of Black fruit, Olive and vanilla, Dark and Red berries, Mocha, spices, Plum, Blueberry, raspberry, cinnamon
- It comes with price range of INR 1595- 1895.
- The aging of these wines Ranges from 3-16 months



- It is “THE SOURCE” category wines (Elite wines)
- Different flavors are made from grapes breeds such as Moscato, Grenache, Chenin Blanc.
- It comes in flavors of Citrus, Lychee, peach, tropical fruits, white peach, pineapple, etc.
- The price ranges from INR 750-1500.



- This is “YORK” brand wines (Elite wines)
- The YORK brand, subsidiary of ASPL was acquired by company in FY22. for a consideration of INR 17.16 Cr
- These comes in Three different flavors.
- The price ranges from INR 775-1250.



- “Dindori” brand wines (Elite)
- These comes in the flavors of Apricot, peach, lychee, Honey, lemon, tropical fruit, vanilla, Cherry, red fruit, spices etc
- The aging range from 10-12 months.
- The price ranges from INR 975-1250.

Source: GEPL Capital estimates, Company data

## WINE BRANDS



- These are SULA range of wines (Premium category)
- Company has highest label offering under SULA brand, covering wide range of flavors for pairing.
- It comes with two price range a. Elite (INR 900+) and Premium (INR 700-900).
- This is one the most popular wine brand in India.

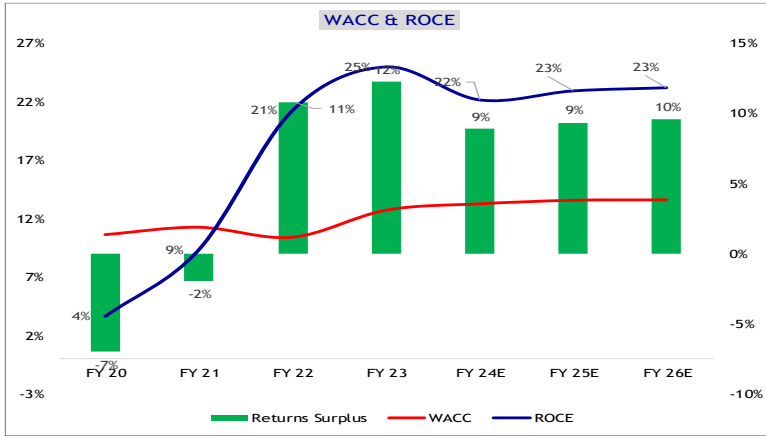


- These are Can version under the DIA brands (Economy range)
- It is 180 ml cans with red wine and white wine flavors
- Price is -INR 400
- Company strategizing to leverage the Can version products in upcoming time in order to popularize and incentivize volumes of Wine sales.

Source: Company data, GEPL Capital

## FINANCIAL ANALYSIS

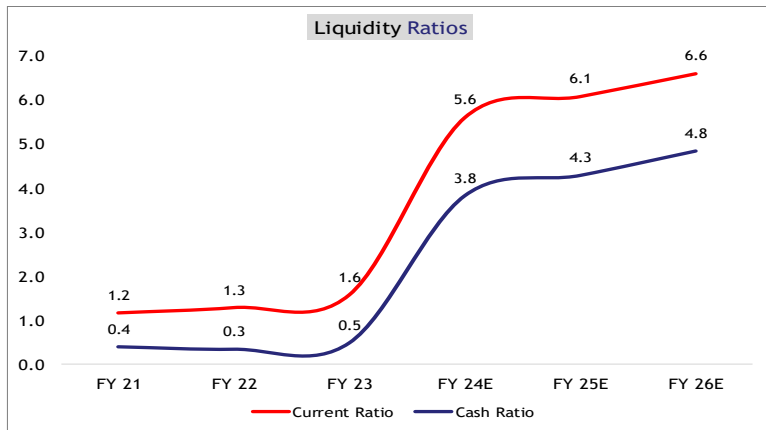
Exhibit 25- WACC to remain in control



Source: GEPL Capital, Company data

.....ROCE is well above the Weighted cost of capital showing robustness of business model. The WACC to stable at ~13% by FY26E, and company is estimated to be in 10% return surplus supporting generation of free cash flows.

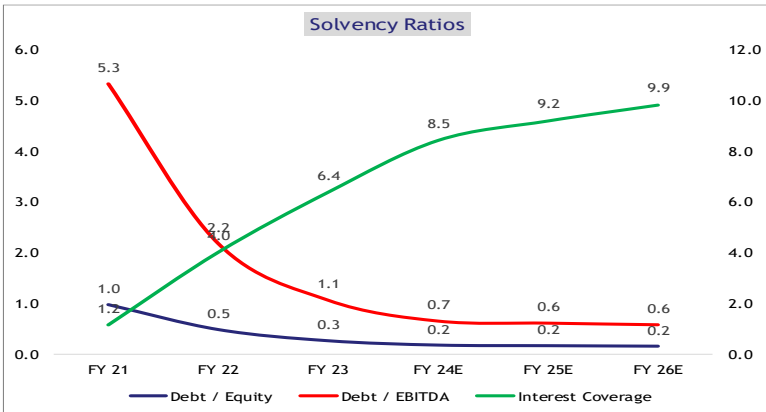
Exhibit 26- Liquidity to improve



Source: GEPL Capital, Company data

.....Moderation in Working capital days to improve liquidity ratios. The current ratio estimated to each 6.6(x) by FY6E form 1.6(x) in FY23.

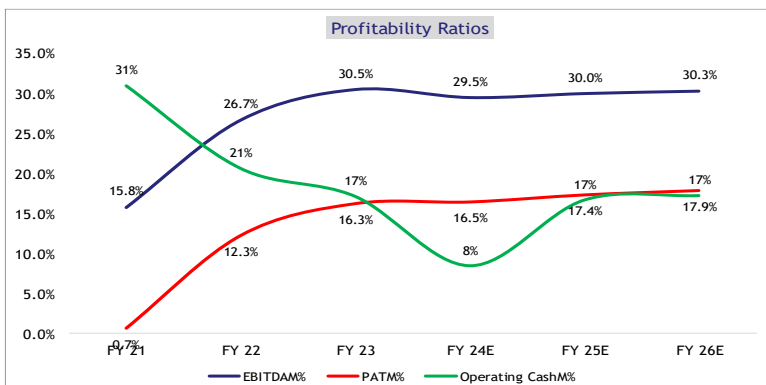
Exhibit 27- Overall low gearing with rising ICR (x)



Source: GEPL Capital, Company data

.....SULA has trimmed down its overall gearing below 1 (x) to 0.3(x) in FY23. it is estimated to improve further towards 0.2(x) by FY26E. The Interest coverage ratio to be at healthy levels of 8.5-9.9(x) levels during estimated projects.

Exhibit 28- Profitability to remain stable



Source: GEPL Capital, Company data

.....SULA's operating profit margin and net profit margins to estimated settle down stable outlook over the period.



## FINANCIAL ANALYSIS

Exhibit 29- Dupont Table

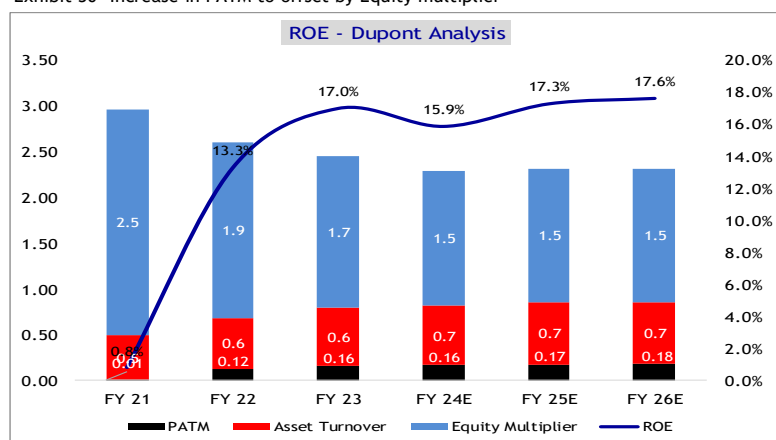
Dupont Analysis						
	FY 21	FY 22	FY 23	FY 24E	FY 25E	FY 26E
<b>ROE</b>	<b>0.8%</b>	<b>13.3%</b>	<b>17.0%</b>	<b>15.9%</b>	<b>17.3%</b>	<b>17.6%</b>
PATM	0.01	0.12	0.16	0.16	0.17	0.18
Asset Turnover	0.5	0.6	0.6	0.7	0.7	0.7
Equity Multiplier	2.5	1.9	1.7	1.5	1.5	1.5
<b>ROCE</b>	<b>9%</b>	<b>21%</b>	<b>25%</b>	<b>22%</b>	<b>23%</b>	<b>23%</b>
EBITM	10%	22%	26%	25%	26%	27%
Capital Turnover	0.9	1.0	1.0	1.0	1.0	1.0

Source: GEPL Capital, Company data

..... The improvement in profitability (PATM) and increased asset turnover is estimated to be offset lowering equity multiplier (leverage) leading to stable ROE during FY24-FY26E period.

The ROCE is estimated to touch 23% by FY26E due to higher OPM and stable capital turnover.

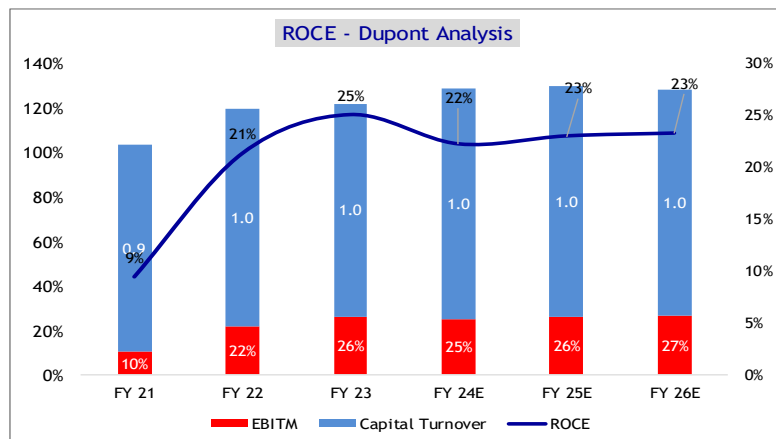
Exhibit 30- Increase in PATM to offset by Equity multiplier



Source: GEPL Capital, Company data

..... Equity multiplier (leverage) estimated to cool-off to 1.5(x) by FY26E from the highs of 2.5(x) in FY21.

Exhibit 31- Rise in EBITM to elevate ROCE



Source: GEPL Capital, Company data

..... EBIT margin to be key catalyst for higher ROCE ratios and capital turnover ratios to be stable at 1(x).

## GROWTH WITH FINANCIAL PRUDENCE

### CAPITAL UTILIZATION

Over last 4 years, company is able to generate 0.9(x) to 1 (x) sales of capital employed. Asset turnover is ranging between 0.5(x) to 0.6(x). The asset turns are lower due to higher inventory of wines.

Exhibit 32- Capital Utilization

CAPITAL UTILIZATION									
Particulars	FY 16	FY 17	FY 20	FY 21	FY 22	FY 23	FY 24E	FY 25E	FY 26E
Sales	379	500	485	386	424	516	590	688	808
Capital Employed	364	413	427	400	468	610	713	842	1,006
Capital Turnover	1.1	1.3	1.2	0.9	1.0	1.0	0.8	0.8	0.8
EBIT Margin	10%	10%	3%	10%	22%	26%	25%	26%	27%
ROCE	11%	13%	4%	9%	21%	25%	22%	23%	23%
ROIC	3%	2%	-3%	1%	12%	16%	15%	15%	16%
Asset Turnover	0.6	0.7	0.60	0.49	0.56	0.63	0.65	0.68	0.68

Source: GEPL Capital, Company data

### REVENUE AND PROFIT TRENDS

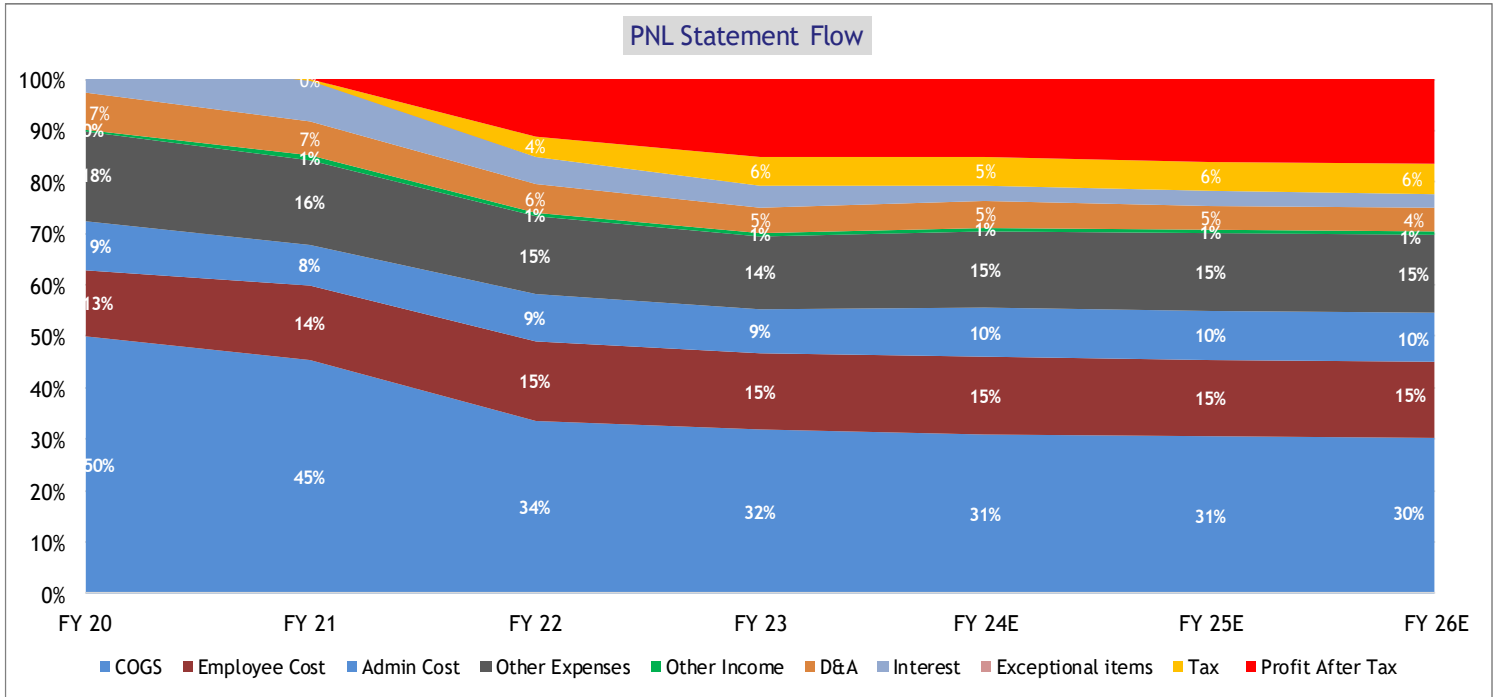
SULA has been able to generate higher sale I last decade barring in FY21, which shows topline drives are place. Company has improved its sales with subdued single digit CAGR of 4% in last 4 years. Its has able to generate FCFF In last three years and has healthy cash generation abilities though business operations. We expect its capital turnover to improve ahead on course of premiumization and higher volumes through CAN version.

Exhibit 33- Company profits over the years

PROFITS OVER THE YEARS											
Particulars	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 20	FY 21	FY 22	FY 23	Total
Capital Employed	185	263	283	348	364	413	427	400	468	610	3,762
Sales	223	273	336	322	379	500	485	386	424	516	3,623
EBIT	21	33	41	29	39	51	15	39	92	135	282
Net Profit	13	19	20	9	12	7	-13	3	52	84	125
Operating Cash	17	10	8	2	13	15	45	120	87	88	340
Free Cash Flow	4	-57	8	-33	-32	-43	-1	103	32	19	-3
Capex	-13	-68	-	-35	-45	-57	-45	-16	-55	-69	-391
Cash Conversion	125%	56%	37%	22%	103%	205%	-337%	4746%	168%	105%	271%

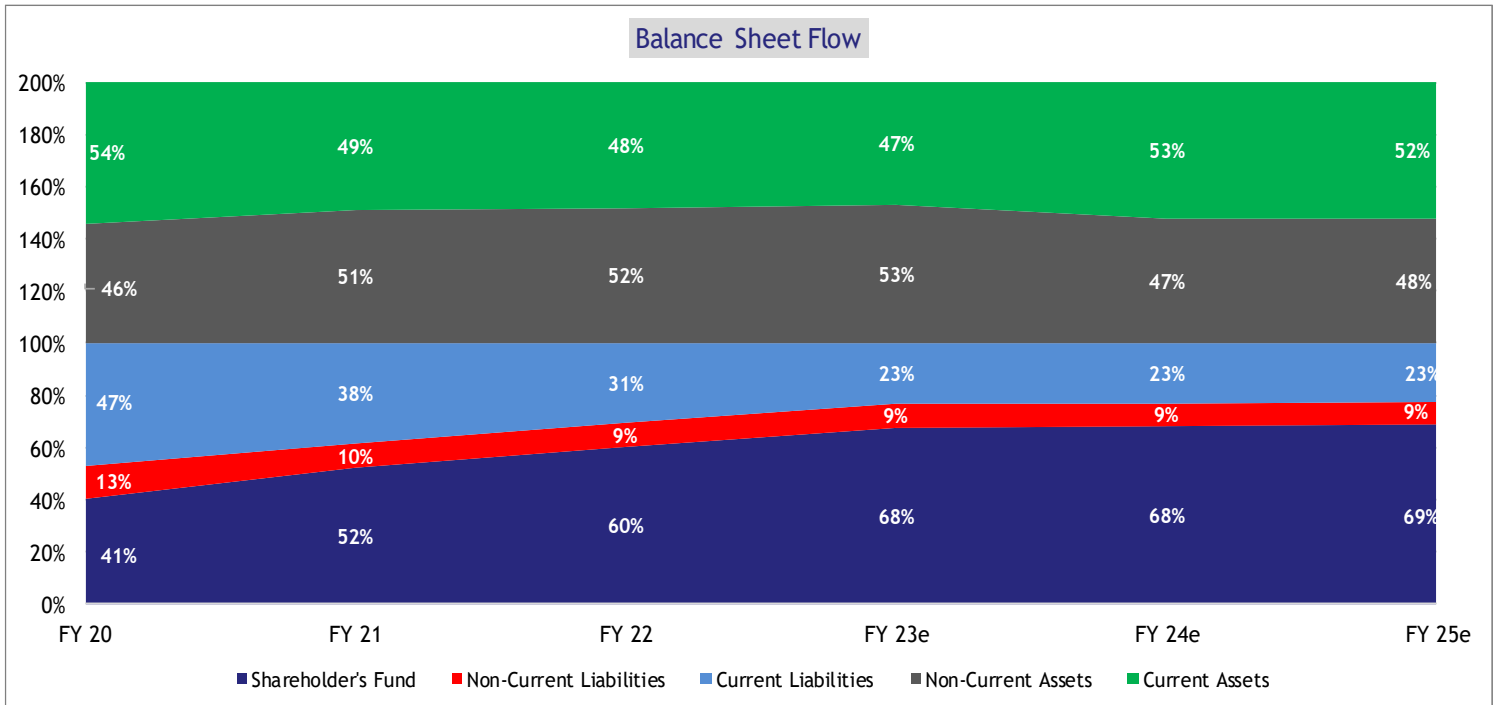
Source: GEPL Capital, Company data

Exhibit 34- PNL statement flow analysis



Source: GEPL Capital, Company data

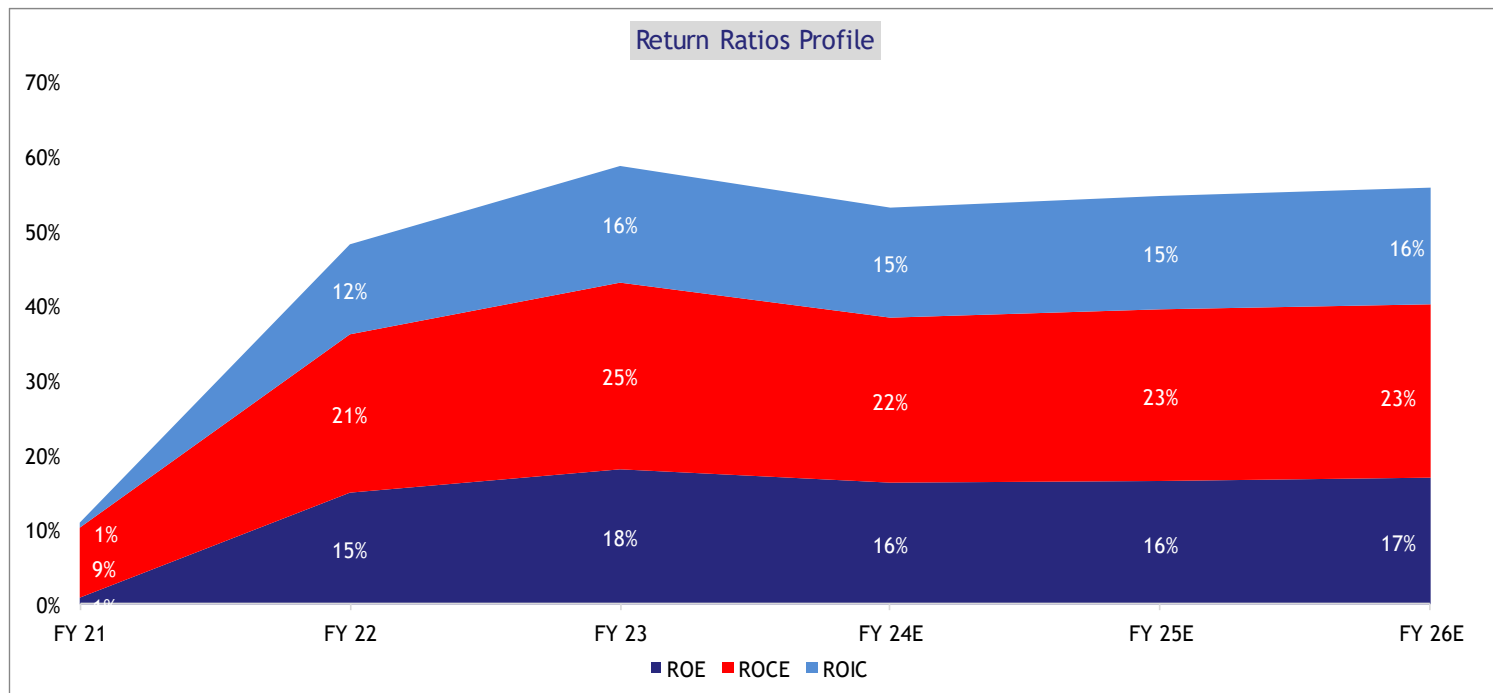
Exhibit 35- Balance sheet flow analysis



Source: GEPL Capital, Company data

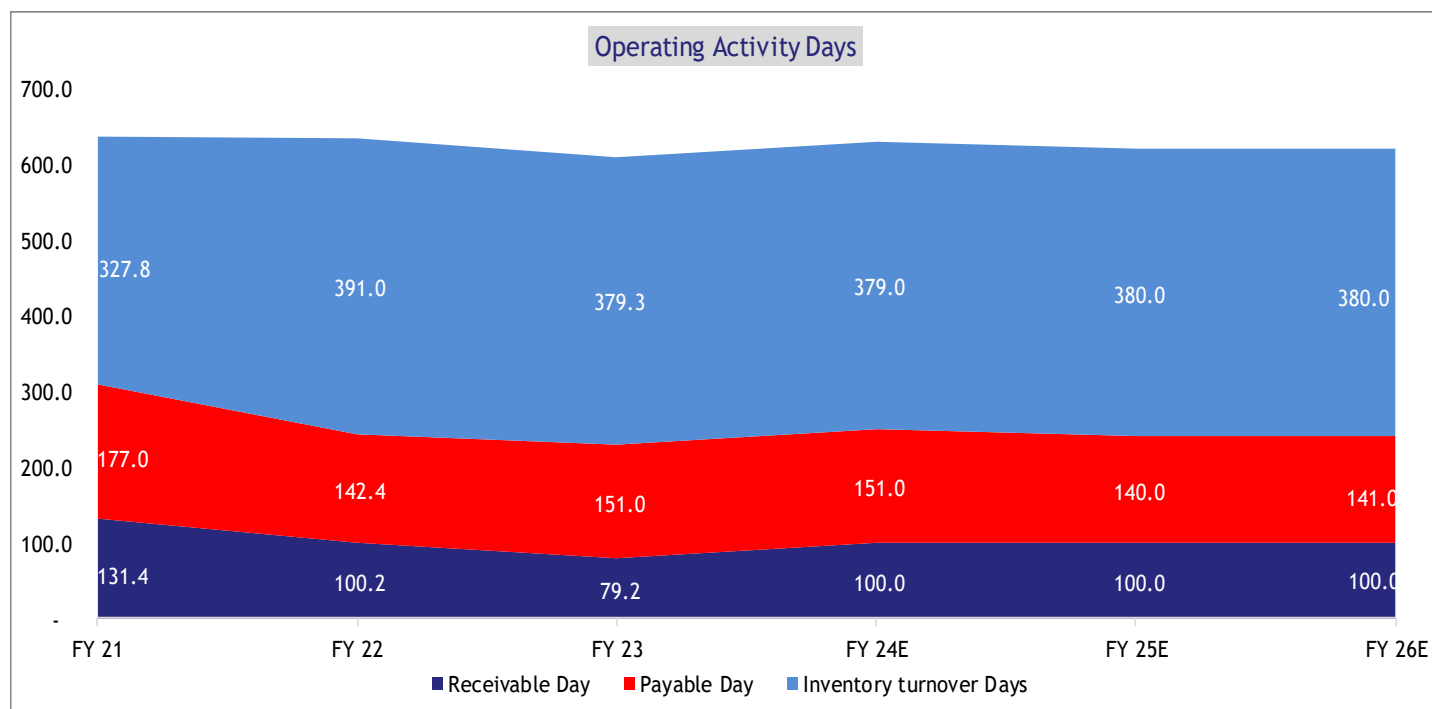


Exhibit 36- Return ratios estimated to increase by 100 bps each



Source: GEPL Capital, Company data

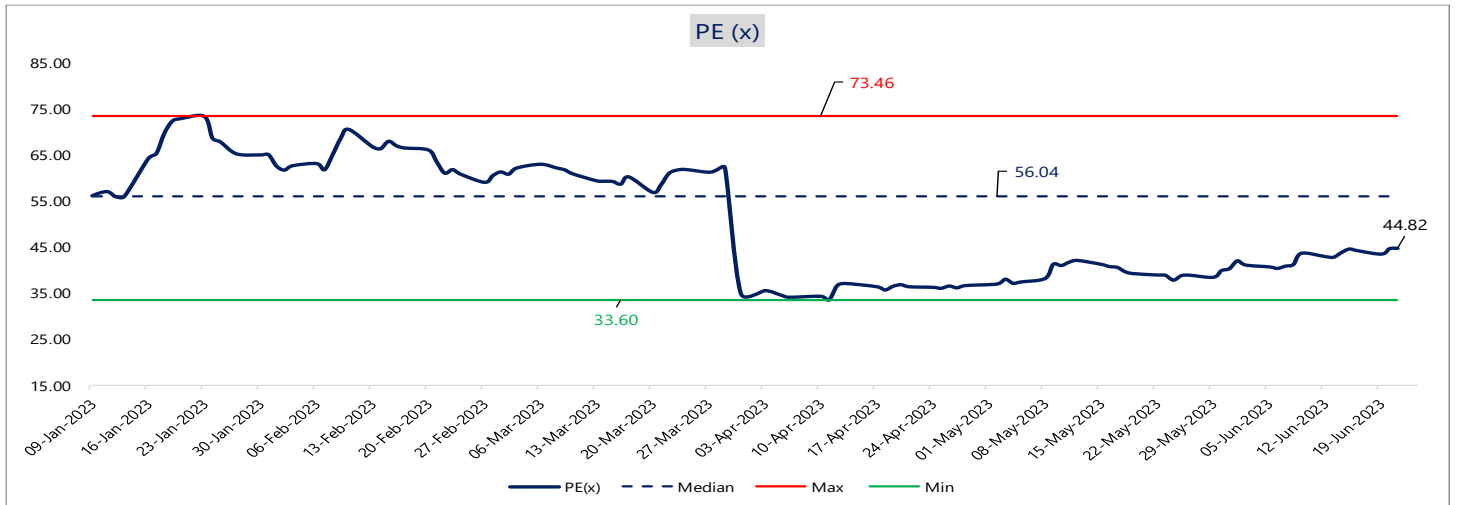
Exhibit 37- Operating Activity days to remain stable



Source: GEPL Capital, Company data

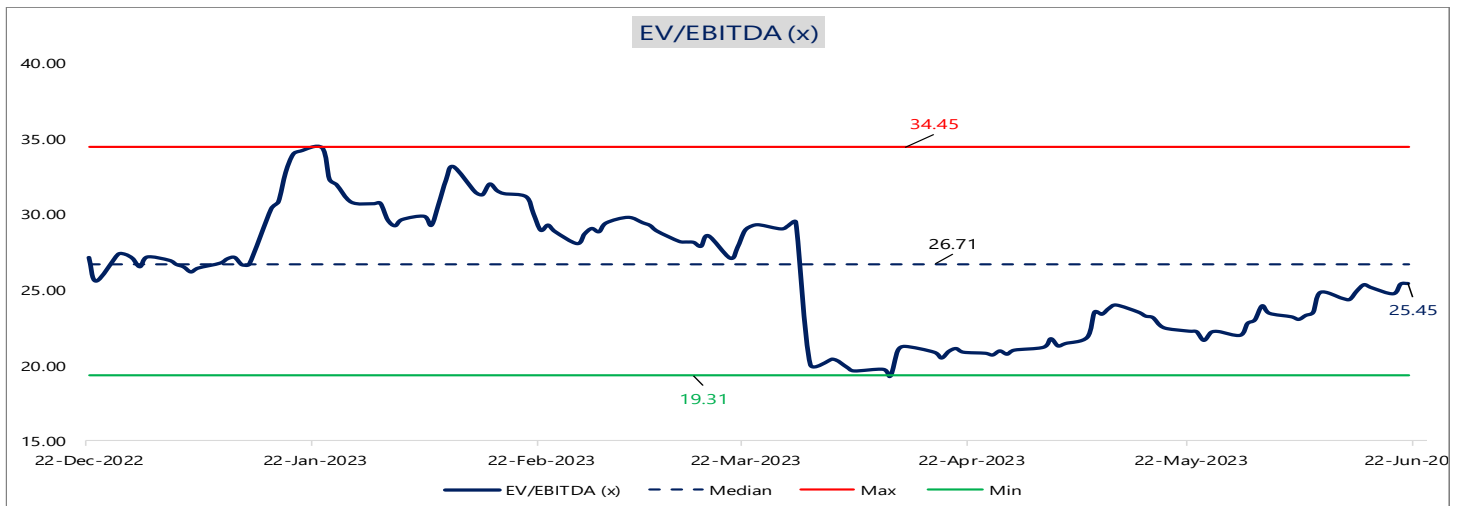
## VALUATION MULTIPLE GRAPHS

Exhibit 38- Historical TTM PE (x)



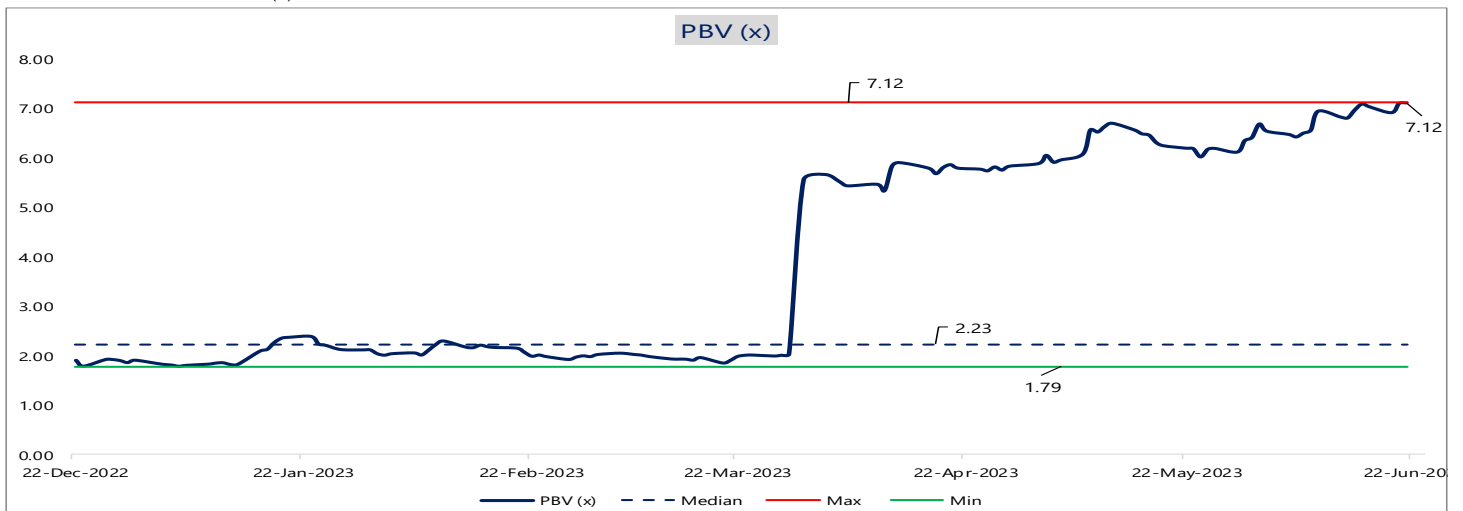
Source: Ace Equity, Company data

Exhibit 39- Trades at 25.45x TTM EV/EBITDA (x)



Source: Ace Equity, Company data

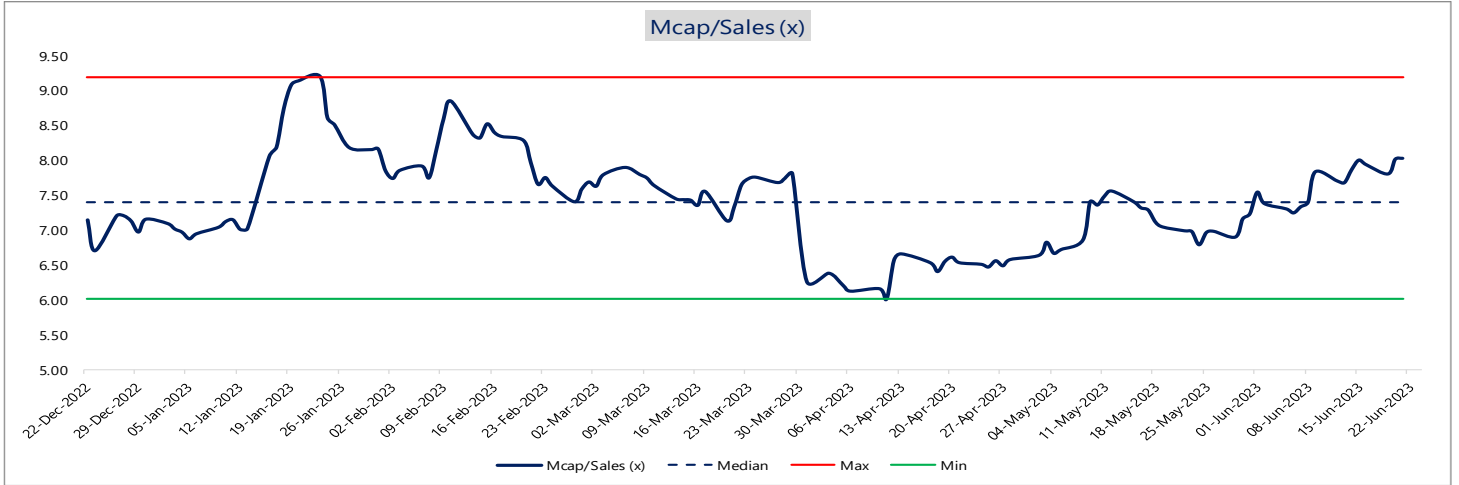
Exhibit 40- Historical TTM PBV (x)



Source: Ace Equity, Company data

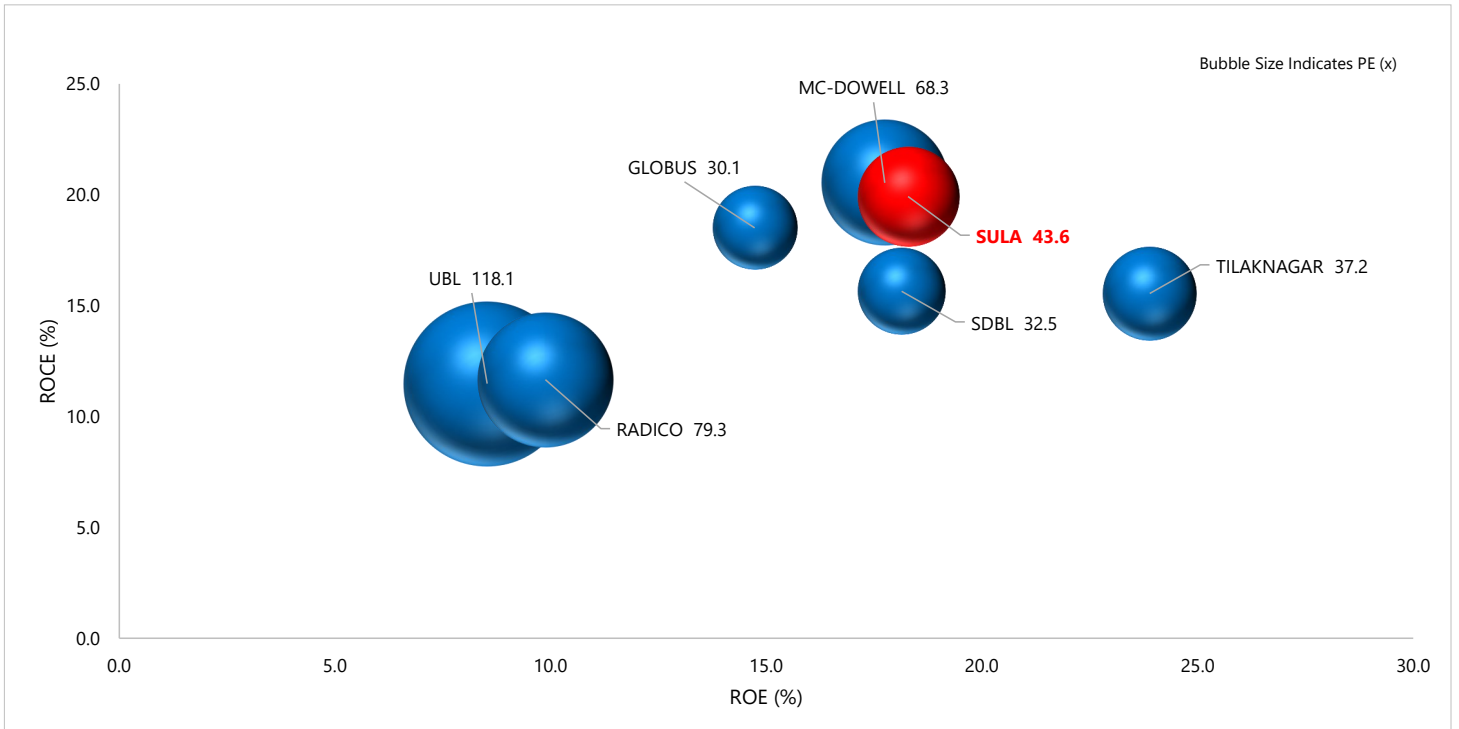
## FINANCIAL ANALYSIS

Exhibit 41- Trading at Slight Premium to Median



Source: Ace Equity, Company data

Exhibit 42- Trading at Slight Premium to Median



Source: GEPL Capital

## FINANCIAL STATEMENTS

Exhibit 43- Consolidated Balance Sheet Statement

In ₹ Cr.	FY 21	FY 22	FY 23	FY 24E	FY 25E	FY 26E
<b>Shareholder's Fund</b>	305	395	532	629	749	894
Equity Share Capital	15	16	17	17	17	17
Reserves and Surplus	290	380	515	612	732	877
<b>Non-Current Liabilities</b>	95	73	78	84	93	112
Long Term Borrowings	59	48	54	57	60	65
Other Long Term Liabilities	36	25	24	27	33	48
<b>Current Liabilities</b>	352	290	271	215	251	295
Short Term Borrowings	242	147	90	59	69	81
Trade Payables	58	67	82	50	55	68
Other Current Liabilities	51	76	99	106	127	146
<b>Total Equity &amp; Liabilities</b>	752	759	881	929	1,094	1,301
<b>Non-Current Assets</b>	345	388	457	493	519	622
Net Fixed Assets	318	361	413	445	468	514
Capital Work In Progress	0	1	2	-	-	-
Non-Current Investments	0	0	0	-	-	-
Other Non-Current Assets	27	26	42	47	52	108
<b>Current Assets</b>	407	371	424	436	575	679
Inventories	144	162	179	190	219	254
Trade Receivables	124	109	115	162	189	221
Cash And Cash Equivalents	52	20	34	36	50	137
Other Current Assets	88	79	97	48	117	66
<b>Total Assets</b>	752	759	881	929	1,094	1,301

Source: GEPL Capital estimates, Company data

Exhibit 44- Consolidated Profit and Loss Statement

In ₹ Cr.	FY 21	FY 22	FY 23	FY 24E	FY 25E	FY 26E
<b>Net Operating Revenue</b>	386	424	516	590	688	808
%growth	-20%	10%	22%	14%	17%	17%
COGS	176	143	164	183	210	244
<b>Gross Profit</b>	210	281	352	407	478	564
Operating Expense	149	168	195	233	272	220
<b>EBITDA</b>	61	113	157	174	207	245
EBITDAM%	15.8%	26.7%	30.5%	29.5%	30.0%	30.3%
Other Income	4	3	3	4	5	6
Depreciation & Amr.	26	24	26	31	33	36
<b>EBIT</b>	39	92	135	147	179	215
Interest	33	23	21	17	19	22
Exceptional items	-2	-	-	-	-	-
<b>Pre-Tax Profit</b>	3	70	114	130	159	193
Tax Rate%	12.0%	25.0%	26.3%	25.0%	25.0%	25.0%
Tax Provision	0	17	30	32	40	48
<b>Profit After Tax</b>	3	52	84	97	120	145
PATM%	0.7%	12.3%	16.3%	16.5%	17.4%	17.9%
%growth	-119%	1970%	61%	16%	23%	21%

Source: GEPL Capital estimates, Company data

Exhibit 45- Consolidated Cash Flow Statement

In ₹ Cr.	FY 21	FY 22	FY 23	FY 24E	FY 25E	FY 26E
Reported PBT	3	70	114	130	159	193
Non-operating & EO items	2	4	(1)	(6)	(7)	(8)
Interest expense	33	23	21	17	19	22
Depreciation	26	24	26	31	33	36
Working capital changes	48	(16)	(44)	(90)	(50)	(56)
Taxes Paid	7	(17)	(28)	(32)	(40)	(48)
<b>Operating Cash Flow (a)</b>	120	87	88	50	115	139
Capex	(16)	(55)	(69)	(57)	(22)	(47)
Free Cash Flow	103	32	19	(7)	92	92
Others	-5	-2	-4	-	-	-
<b>Investing Cash Flow (b)</b>	(22)	(57)	(73)	(57)	(22)	(47)
Interest expense	-32	-20	-18	(17)	(19)	(22)
Dividend	0	-19	-45	-	-	-
Others	-63	-22	54	(28)	13	16
%pbt	(20)	(0)	0	0	0	0
<b>Financing Cash Flow (c)</b>	(94)	(61)	(9)	(45)	(6)	(6)
<b>Net Cash Flow (a+b+c)</b>	3	(31)	6	(52)	86	87
<b>Closing Cash Balance</b>	41	10	16	(36)	50	137

Source: GEPL Capital estimates, Company data

Exhibit 46- Consolidated Ratios Analysis

Ratios	FY 21	FY 22	FY 23	FY 24E	FY 25E	FY 26E
<b>Solvency (x)</b>						
Debt / Equity	1.0	0.5	0.3	0.2	0.2	0.2
Debt / EBITDA	5.3	2.2	1.1	0.7	0.6	0.6
Interest Coverage	1.2	4.0	6.4	8.5	9.2	9.9
<b>Liquidity (x)</b>						
Current Ratio	1.2	1.3	1.6	5.6	6.1	6.6
Cash Ratio	0.4	0.3	0.5	3.8	4.3	4.8
<b>Profitability (%)</b>						
Gross Profit	54.5%	66.3%	68.2%	69.0%	69.5%	69.8%
EBITDA	15.8%	26.7%	30.5%	29.5%	30.0%	30.3%
PBT	0.8%	16.4%	22.1%	22.0%	23.2%	23.9%
PAT	0.7%	12.3%	16.3%	16.5%	17.4%	17.9%
Operating Cash	31%	21%	17%	8%	17%	17%
<b>Returns (%)</b>						
ROE	1%	15%	18%	16%	16%	17%
ROCE	9%	21%	25%	22%	23%	23%
ROIC	1%	12%	16%	15%	15%	16%
ROA	0%	7%	10%	7%	11%	12%
Return on Fixed	1%	15%	22%	23%	26%	30%
<b>Turnover</b>						
Working Capital	8.1	6.3	4.4	2.0	1.6	1.5
Inventory	1.1	0.9	1.0	3.2	3.4	3.4
Capital Employed	0.9	1.0	1.0	0.9	0.9	0.9
Payable	2.1	2.6	2.4	8.9	13.1	13.1
Receivable	2.8	3.6	4.6	4.3	3.9	3.9
Asset	0.5	0.6	0.6	0.7	0.7	0.7

Source: GEPL Capital estimates, Company data



## BOARD OF DIRECTORS



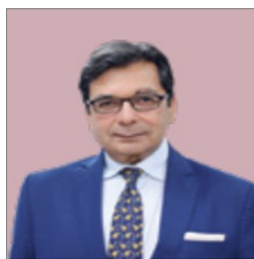
- Mr. Chetan Ramachandra Desai, Chairman and Non- Executive Independent Director
- He has previously worked with Haribhakti and Co., LLP
- He is a CA with 39 years of experience and is a member of Institute of CA of India.



- Mr. Rajeev Samant, Founder, MD & CEO (Promoter)
- Established Sula Vineyards, Nashik's first winery in 1999. This historic move transformed Nashik into India's Wine Capital, and today, Sula Vineyards is globally recognized as India's most important wine producer.
- He holds an Undergraduate degree in Economics and a Master's degree in Engineering Management from California's Stanford University



- Mr. Riyaaz Amlani, Non-Executive Independent Director
- Holds A master's degree in Entertainment Management from UCLA
- MD at Impresario Entertainment and Hospitality Pvt Ltd.
- Former two-term President of the National Restaurant Association of India (NRAI)



- Mr. Alok Bajpeyi, Non-Executive Independent Director
- A bachelor's degree in economics from the London School of Economics and Political Sciences.
- Previously worked with Swiss Bank Corporation, Dawnay Day AV Financial Services, Daiwa Capital Markets India, Avendus Capital and British High Commission, New Delhi.



- Mr. Roberto Italia, Non-Executive Director
- Currently serving as the CEO and MD of Verlinvest S.A.
- Holds master's degree in economics from Libera Università Internazionale degli Studi Sociali Guido Carli, Italy and an MBA degree from INSEAD, France.



- Mrs. Sangeeta Pendurkar, Non-Executive Independent Directors
- She is Currently serving as CEO of Pantaloons.
- Previously worked with Kellogg India, HSBC, Coca-Cola India, Hindustan Lever and Hindustan CI-BACEIGY.
- Holds a bachelor's degree from the University of Mumbai and MBA from Savitribai Phule Pune University.

## KEY MANAGEMENT PERSONNEL



- Mr. Chaitanya Rathi, Chief Operating Officer
- He has been with Sula since April 2019 as COO and earlier from 2006 to 2013 in various capacities.
- Previously worked with Everstone Capital and Mswipe Technologies.



- Mr. Bittu Varghese, Chief Financial Officer
- Previously worked with Marico, S.C. Johnson, Hindustan Coca-Cola Beverages and Pernod Ricard India.
- Has been with SULA from 2019, He is the member of Institute of CA of India.

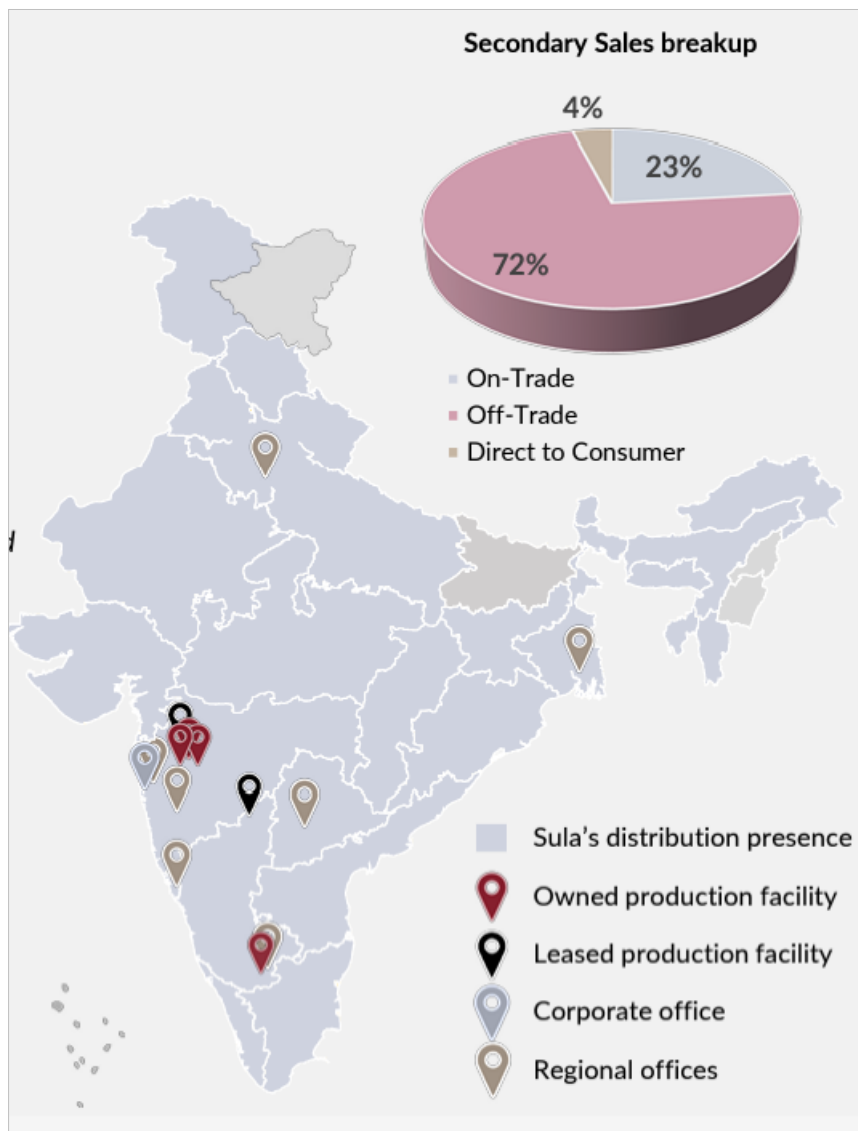


- Mr. Karan Vasani, Chief Wine Maker
- He has been with Sula since October 2013 in various capacities
- Holds a graduate diploma in viticulture and oenology from Lincoln University, New Zealand.
- Previously worked with CRISIL and Cuvaision Estate wines.



- Mr. Arjun Ananad, Non-Executive Nominee Director
- Previously worked with A.T. Kearney Australia.
- Holds a bachelor's degree in mechanical engineering from Birla Institute of Technology and Science, Pilani and a post-graduate diploma in management from Indian Institute of Management, Calcutta.

Exhibit 47- Company Locations



Source: Company data



## SULA VINEYARDS RESORTS AND FACILITIES

Exhibit 48- Sula Vines Resorts



Source: Company data



Recommendation Rating	Expected Absolute Return (%) over 12 months
BUY	>15%
HOLD	0%-15%
REDUCE	0% to -5%
SELL	>-5%

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**Reg./Corp. Office:** D-21 Dhanraj Mahal, CSM Marg, Colaba, Mumbai 400 001 Contact No +91 22 66182400

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