

Issue Details

Issue Opens	12 th December, 2022
Issue Closes	14 th December, 2022
Issue Size (Rs. Crs)	960.35
Issue Size - OFS (Shares)	2,69,00,530
Authorized Shares	10,10,30,000
Issued, Subscribed and Paid Up Sh. Pre offer	8,41,98,748
Face Value	2
Lot Size (Sh)	42
Price Band	Rs 340 – Rs 357
Issue Type	Book Built
Book Value (in Rs.)(FY22)	49.96
BRLMs	Kotak, CLSA, IIFL Securities
Registrar	KFINTECH
Listing Venue	BSE, NSE
Finalization of Allotment	On or about 19/12/2022
Initiation of refund	On or about 20/12/2022
Credit to Demat Account	On or about 21/12/2022
Listing	On or about 22/12/2022

Issue Structure

Categories	Allocation
QIBs	50%
Non-Institutional	15%
Retail Portion	35%
Total	100%

Shareholding Pattern

Categories	Pre issue	Post Issue
Promoter & Promoter Group	28.44	26.03
Public	71.56	73.97
Total	100	100

Recommendation
SUBSCRIBE
Company Background

Set up in 2003, Sula Vineyards is India's largest wine producer and seller with an installed capacity of 16.56 Lakh Litres. It primarily operates in two categories - (i) wine production, import of wine and spirit, and sales and distribution of wines and spirits, and (ii) sales and services from ownership and operation of wine tourism venues. Sula Vineyards has its presence across all the four price segments:- Elite, Premium, Economy and Popular.

Objects of the Issue

- Offer for Sale (OFS) by the selling shareholders. The company shall not receive any proceeds from the offer.
- Listing of the shares would enhance the company's brand image and visibilities while at the same time provide liquidity to its shareholders.

Key Points

- The issue is an Offer for Sale (OFS) of 2,69,00,530 shares by its promoter Shri Rajeev Samant and some other marquee investors aggregating upto Rs 960.35 Crs.
- Sula Vineyards has consistently gained market share in the grapes wine category from 33% in FY09 to 52% at the end of FY22.
- It holds a 61% market share in the "Elite and Premium" category products. Recognized as the market leader across wine variants, including red, white and sparkling wines.
- 56 different labels of wines are produced at its four owned and two leased production facilities located in the states of Maharashtra and Karnataka.
- Sula Vineyards services close to 9,000 hotels, restaurants across the country, making the company a leader in terms of footprint amongst wine players in India.
- The company is a pioneer in wine tourism in India such as the first wine tasting room in India, the first vineyard resort, the first wine music festival and the first winery tours at its facility in Nashik, Maharashtra.
- The company plans to continue focusing on its own brands over third-party brands that they import and distribute as well as leverage its distribution capability to launch new products.
- It aims to increase wine awareness and consumption, and penetrate further into Tier-1 and 2 cities in India through active social media campaigns.
- It aims for strategic acquisitions to grow its market share and brand value in the future.
- Revenues for FY22 grew 9% YoY to Rs 453.92 Crs while PAT grew 17x YoY to Rs 52.13 Crs. H1FY23 revenues exhibited a 41% YoY growth to Rs 224 Crs while PAT during the same period grew 6.73x YoY to Rs 30.51 Crs. The EBIDTA margins at the end of H1FY23 were 27.94% compared to 24.95% at the end of FY22.

Recommendation --

Sula Vineyards is the largest wine manufacturers in India along with the largest market share. A rise in disposable income of the working population is expected to increase the per capital wine consumption in the country Goodwill amongst its suppliers and increasing brand value amongst the consumers, would enable it report a steady performance in the years to come. We recommend a "SUBSCRIBE" to the issue.

Consolidated Financials In INR Crs	H1FY23	H1FY22	Var%	FY22	FY21	FY20
Revenue from Operations	224.07	159.15	40.79%	453.92	417.96	529.53
Operating Profit (excl OI)	62.62	28.75	117.81%	113.29	60.94	48.92
Profit Before Tax (PBT)	41.26	5.63	632.86%	69.54	3.19	-17.39
Profit After Tax (PAT)	30.51	4.53	573.51%	52.14	2.81	-13.51
EPS	3.76	0.60	526.67%	6.61	1.67	-8.81
Equity	16.32	15.38	6.11%	15.72	15.08	15.04
Book Value	55.05	44.78	22.93%	49.96	40.24	39.77

Highlights

Wine consumption in India has the potential to grow multiples times.

- India's per capita consumption for wine is less than 100 ml. while the contribution of wine to overall alcohol consumption in India is less than 1% as against the world average of close to 13%.
- Growth in per capita consumption of wine has a strong co-relation with the economic growth of the country.
- India with the per capita income of close to USD 2100 in the calendar year 2019, has crossed the per capita income threshold as benchmarked to growth of wine consumption, which augurs well for growth in wine consumption in India.
- The current per capita consumption of wine in India at close to twenty-five milliliters is the lowest among top economies in the world but is one of the fastest growing countries in the world.
- A very low base underpinned by economic growth, positive demographic dividend and increasing acceptance of low alcohol content alco-beverages is set to drive Indian wine market to a prolonged period of strong growth.
- The Indian wine market was valued at around Rs 1,900 Crs at the end of FY19 and is projected to grow @CAGR of 20% to reach Rs 3,785 Cr at the end of FY25.

High barriers to entry in the Indian wine market.

- Indian wine market is concentrated with top three players dominating the market and is expected to remain concentrated with high barriers to entry due to the nature of the product in addition to the trade barriers prevalent in the alco beverage market.
- Wine making involves investment of capital and time in development of vineyard, investment in relationship with farmers and development of expertise in wine making. In addition to that, an annual harvest unlike other alco beverages which are not dependent on a harvest cycle elevates the demanding nature of the wine making and selling business.
- These factors increase the capex and working capital requirement for wines as compared to other alco-beverages. Any new brand may take time to be recognized and earn the trust of the consumers.
- The entry of new players in the distribution of alcoholic beverage industry in India is prohibitive due to high regulation across states and strong relations between the current players and retail outlets which may include exclusive arrangements.
- **Sula Vineyards has the highest installed capacity with 1,39,83,000 Litres followed by Grover Zampa Vineyards at 47,00,000 and Frarelli Wines at 14,00,000 Litres.**

Growth of wine tourism in the country.

- Wine tourism provides direct engagement between the winemakers and consumers and helps the consumer create a connection with the brand. Sales are also largely dependent on building brand recognition by providing a unique experience.
- All major wineries in India today offer facilities to visit their wineries. The services include a tasting room, stay and dine options and opportunities to buy wines directly from the winery.
- **Sula Vineyards was the pioneer of wine tourism in the country and received a footfall of 3,68,000 in FY 2020.**

Sula Vineyards is an established market leader with its leading brand "Sula".

- Sula Vineyards is the market leader in the Indian domestic wine industry, with a market share of around 52% in Fiscal 2022.
- The "Sula" brand is recognized as the market leader across wine variants, including red, white and sparkling wines. "Sula" is also recognized as the "category creator" for wines in India.
- Sula is the first national wine brand to be listed with TASMAR - The Tamil Nadu State Marketing Corporation.
- Sula's wines are served on India's national carrier - Air India.
- Sula is the first Indian wine to be listed by Marks & Spencer UK in the year 2013.

Secured supply of raw materials with long term contracts.

- The top wine producing states, Maharashtra and Karnataka, are also the top consuming states, contributing close to 57% of the overall wine market in India.
- Sula Vineyards has access to approximately 2,521 acres of vineyards, which is significantly higher than the second largest wine company in the Indian market at close to 460 acres.
- The company has entered into long term supply agreements of up to 12 years with contract farmers for approximately 2,290 acres as of September 30, 2022. Such long term supply agreements cover more than 90 per cent. of its annual supply of wine grapes, and it aims to continue expand its wine grape supply via long term contracts with third-party farmers.(About 500 in No.s)
- Given the company's technical knowhow and support, and market leading reputation, farmers prefer entering into and renewing such long-term contracts with it.
- A large scale of production enables the company to provide a stable income to the farmers working with them to produce quality wine grapes. In general, farmers have higher price realization from wine grapes as compared to table grapes.

Largest wine distribution network and sales presence.

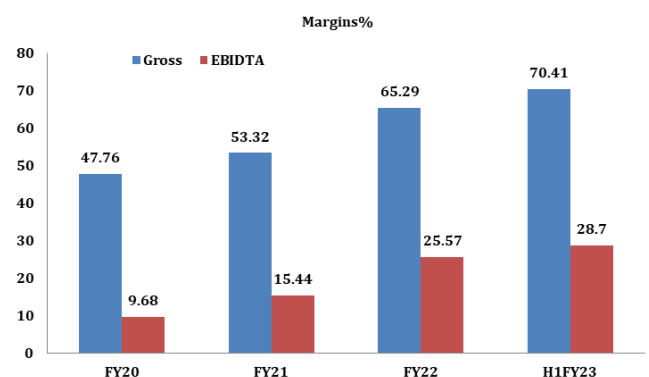
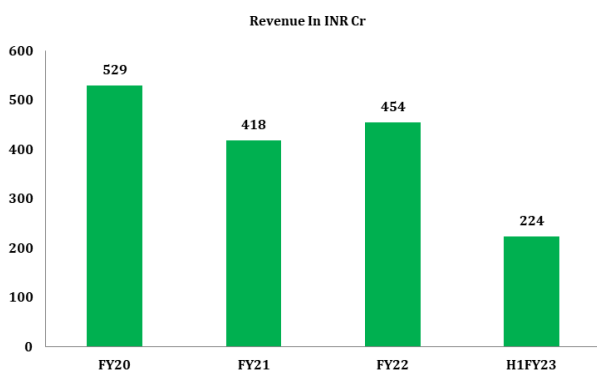
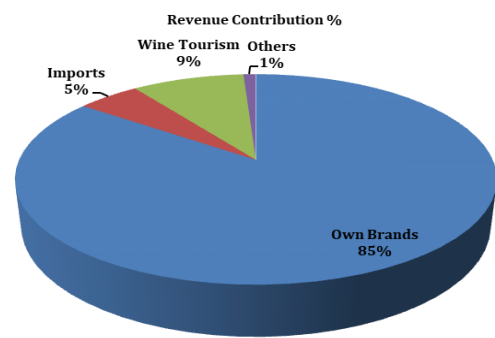
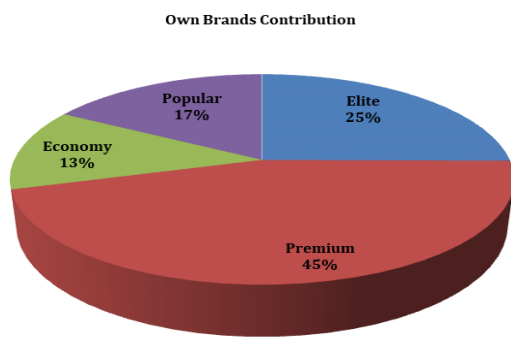
- Sula Vineyards has a presence in 25 states and six union territories in India. It has also explored its options in the overseas market by offering its wines across 20 countries, including Spain, France, Japan, the United Kingdom and the United States.
- The company’s widespread sales and distribution platform enables its products to reach its consumers ensuring consistent availability. At the end of March 2022, it has more than 23,000 points of sale including over 13,500 retail touch points and over 9,000 hotels, restaurants and caterers.
- Its distribution platform has over 50 distributors, 11 corporations, 14 licensed resellers, 7 company depots, 3 defence units.
- Over a period of time, the company has successfully built and managed its large distribution network, developing strong relationships with its distribution and retail partners across territories.

Aims to market its brand through proper use of digital media.

- Digital marketing and social media platforms are instrumental in increasing awareness of any new product in India.
- Sula Vineyards aims to capitalize on the same by including initiatives such as a combination of social media lifestyle and wine influencer activities, through which “influencers” with a significant following conduct promotional activities for its Wine Tourism Business through the company’s own social media channels including, Facebook, Instagram, LinkedIn and Youtube, among others.
- Sula vineyards is among the top 10 most followed vineyards in the world, and has a large following on social media with approximately 118,000 followers on Instagram, approximately 123,000 likes on Facebook and approximately 14,000 followers on Twitter as on September 30, 2022.

Lookout for strategic acquisitions to increase its market share.

- Sula Vineyards aims to consolidate its position further in the Indian wine market through increasing its scale and market share through acquisitions.
- It had acquired the brands and assets of Heritage Winery (“Heritage”) and York Winery in Fiscals 2017 and 2022, respectively. The acquisition of Heritage was strategic, providing its first owned manufacturing facility in Karnataka and allowing it to avail the benefit of significantly lower duties on the sale of its wines in Karnataka and also offering growth potential to increase the Wine Tourism Business.
- The company intends to actively engage in Mergers & Acquisitions (M&A) which are complementary to its Business by focusing on (a) increasing its market share further; (b) deepening its presence in certain geographies; and (c) improving profitability.



Source:- Company RHP, ACE Equity, AUM Research

Consolidated Financials – Value in Rs. Crs	Mar-22	Mar-21	Mar-20
Gross Sales	453.92	417.96	529.53
Total Income	427.20	389.51	486.82
Total Expenditure	311.13	325.00	436.32
PBIDT	116.07	64.51	50.50
PBIT	92.46	36.57	15.50
PBT	69.54	3.19	-17.39
PAT	52.14	2.81	-13.51
EPS	6.61	1.67	-8.81
Book Value	49.96	40.24	39.77
Cash Profit	75.75	28.50	21.49
Sources of Funds			
Equity Paid Up	15.72	15.08	15.04
Reserves and Surplus	376.97	288.35	284.01
Net Worth	392.69	303.43	299.06
Total Debt (Long Term plus Short Term)	228.93	301.26	368.24
Capital Employed	624.19	606.00	668.40
Application of Funds			
Gross Block	477.32	412.94	435.93
Investments	0.00	0.00	0.08
Cash and Bank balance	19.58	51.76	40.27
Net Current Assets (Including Current Investments)	80.40	55.14	40.70
Total Current Liabilities	290.14	351.80	407.04
Total Assets	758.56	751.60	834.25
Cash Flow			
Cash Flow from Operations	87.44	119.54	44.67
Cash Flow from Investing activities	-56.79	-21.70	-43.96
Cash Flow from Finance activities	-61.25	-94.48	33.34
Free Cash flow	6.52	60.13	-22.15
Key Ratios			
Debt to Equity(x)	0.58	0.99	1.23
Current Ratio(x)	1.28	1.16	1.10
ROCE(%)	15.03	5.74	2.42
RONW(%)	14.98	0.93	-4.35
PBIDTM(%)	25.57	15.44	9.54
PATM(%)	11.49	0.67	-2.55

Source:- Company RHP, ACE Equity, AUM Research

Aum Capital RESEARCH DESK

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