

Business Overview

- Incorporated on February 26, 2003, Sula Vineyards Limited is India's largest wine producer and seller as of March 31, 2022 (Source: Technopak Report).
- The company is the pioneer of wine tourism in India with many firsts to its credit, such as the first wine tasting room in India, the first vineyard resort, the first wine music festival and the first winery tours at their facility in Nashik, Maharashtra.
- It has 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 grapes wine market in Fiscal 2012.
- It is also recognized as the market leader across wine variants, including red, white and sparkling wines.
- The company distributes 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 (Source: Technopak Report). Currently, it produces 56 different labels of wine at four owned and two leased production facilities located in the Indian states of Maharashtra and Karnataka.
- Furthermore, the company's wines are available at various price points, making them accessible for consumers with different budgets appealing to mass markets as well as having a premium product strategy.
- The company has also been awarded a number of industry awards, including five silvers and four bronze at the 'Decanter World Wine Awards, 2022', and three silvers and eight bronze at the 'Decanter World Wine Awards 2020'. It also received four golds and six silvers at the 'India Wine Awards 2019', with its The Source Grenache Rosé receiving the 'Best in Show' wine award. Furthermore, the company's wine, Sula Sparkling Brut Tropicale recently won a gold medal at the 'International Wine Challenge 2022' and its Rasa Cabernet Sauvignon won a silver at 'The Global Cabernet Sauvignon Masters 2022'.

Classification of Business:

The company's business can be broadly classified under two categories:

- (a) **Wine Business** - The production of wine, the import of wines and spirits, and the distribution of wines and spirits
- (b) **Wine Tourism Business** - The sale of services from ownership and operation of wine tourism venues, including vineyard resorts and tasting rooms.

Issue Details

Offer for sale of up to 26,900,530 Equity Shares aggregating up to ₹ [●] million

Issue size: ₹ 915 - 960 Cr
No. of shares: 2,69,00,530
Face value: ₹ 2/-

Price band: ₹ 340 - 357
Bid Lot: 42 shares and in multiples thereon

Post Issue Implied Market Cap:
₹ 2,863 - 3,006 Cr

BRLMs: Kotak Mahindra Capital Company Limited, CLSA India Private Limited & IIFL Securities Limited
Registrar: KFin Technologies Limited

Indicative Timetable

Activity	On or about
Anchor Investor Issue Opens	09-12-2022
Issue Opens	12-12-2022
Issue Closes	14-12-2022
Finalization of Basis of Allotment	19-12-2022
Refunds/ Unblocking ASBA Fund	20-12-2022
Credit of equity shares to DP A/c	21-12-2022
Trading commences	22-12-2022

Listing: BSE & NSE

Issue Break Up

Retail	QIB	NII
35%	50%	15%

Shareholding*

	Pre Issue	Post Issue
Promoter and Promoter Group	28.44%	27.33%
Public - Selling Shareholders	38.87%	8.04%
Public - Others	32.69%	64.64%
Total	100.00%	100.00%

*Calculated using data in RHP on pages - 1, 110

Competitive Strengths

Established market leader in the Indian wine industry with the leading brand “Sula”: Since incorporation in 2003, the company has built a strong network across key markets, which gives them a competitive advantage over other wine players. The “Sula” brand is recognized as the market leader across wine variants, including red, white and sparkling wines and is also recognized as the “category creator” for wines in India. The company is the clear market leader in the Indian domestic wine industry, with its market share by value being 52 per cent in Fiscal 2022.

Largest wine producer in India with the widest and innovative product offering supported by an efficient production mechanism: The company’s product portfolio of 56 domestic wines labels and 21 imported alcoholic beverage labels comprising wines and spirits, serves a large cross-section of customers (by type, income and demography), providing them the widest range of choices at multiple price points. The company was the first to introduce varietal wines in India in 2003 and was also the first to adopt the use of refrigerated stainless-steel tanks for the production of its wines, which revolutionized tropical winemaking.

Largest wine distribution network and sales presence: As of September 30, 2022, the company has a presence in 25 states and six union territories in India. It also entered the overseas markets in 2003, and currently offers wines in over 20 countries, including Spain, France, Japan, the United Kingdom and the United States. With access to more than 23,000 points of sale (including over 13,500 retail touchpoints and over 9,000 hotels, restaurants and caterers) as of March 31, 2022, the company’s products have a high visibility and availability across the country. The company also has a strong direct to consumer selling channel at its wine tourism facilities in Nashik (Maharashtra) and Bengaluru (Karnataka).

Secured supply of raw material with long-term contracts exclusive to Sula: As of June 30, 2022, the company had 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 (Source: Technopak Report). Out of the total acreage, it has entered into long-term supply arrangements (of up to 12 years) with contract farmers for approximately 2,290 acres as of September 30, 2022. Such long-term supply arrangements cover more than 90 per cent of the annual supply of wine grapes, and the company intends to continue expand its wine grape supply via long term contracts with third-party farmers.

Leader and pioneer of the wine tourism business in India: The company has been a pioneer of wine tourism in India, which has led to a strong D2C presence. It is believed that with the combination of resorts, tasting rooms and restaurants, the company has helped to create a unique wine culture in India. It offers curated experiences, such as wine tasting sessions, winery tours and gourmet dining options at the wineries, that enables to build a stronger connect with the consumers and popularise wine tourism in the country.

Early adoption and focus on sustainability: Sustainability is a key focus area for the company and is infused in the business decisions, including the packaging of products. It has been successful in building a responsible supply chain, sourcing raw materials locally, and optimizing packaging materials using lightweight bottles.

Experienced Board, qualified senior management team: The company is led by its Promoter and Managing Director, Rajeev Samant, who established the business in 2003 and has extensive experience in the Indian wine industry. He is ably supported by qualified and experienced Board of Directors and senior management team that comprises professionals with extensive knowledge, understanding and experience in the alcoholic beverage industry globally.

For further details, refer to ‘Strengths’ page 196 of RHP

Business Strategies

Continuous focus on Own Brands: One of the main strategies for the company is to continue focusing on its Own Brands over Third Party Brands that it imports and distributes. A clear shift towards focusing on Own Brands was made in Fiscal 2020, which got further accelerated by the COVID-19 pandemic. Sales of the company's Own Brands accounted for 85.49%, 82.75% and 83.91% of the revenue from operations for the six months period ended September 30, 2022 and September 30, 2021, and Fiscal 2022, respectively, as compared to 63.57% in Fiscal 2020, when it had a significant Third Party Brand distribution business, contributing 30.96% of the revenue from operations during the same period.

Focus on premiumization of the product portfolio: The company currently produces and markets a total of 34 labels under the 'Elite' and 'Premium' categories, providing the largest offering in the Indian wine market under these segments. It has launched a total of seven labels in the last five Financial Years, which have all been in the 'Elite' category and together were able to acquire a market share of 9% in the 'Elite' category by the end of Fiscal 2021. The company's share in the 'Elite' and 'Premium' categories has increased at 62% by value in Fiscal 2022.

Increasing wine awareness and consumption, and penetrating further into Tier-1 and 2 cities in India: The company's strategy is to increase focus on the under penetrated markets in major Metros like Chennai and Kolkata, the tourist markets of Kerala, Rajasthan and Goa, and other Tier-1 and 2 cities across India. It seeks to continue to focus on increasing sales volumes in the geographies by expanding the distribution network, optimizing distribution operations and increasing product supply to these under-penetrated markets.

Effectively use digital media to increase awareness of wine in India: Digital marketing and social media platforms are instrumental in the company's outlook to increase awareness of its brand and wine in general in India. The company's strategy of engaging popular influencers with significant followings on social media platforms such as Instagram helps to leverage their extensive network to amplify the message, taking awareness of wine to a wider audience.

Continue to make sustainability and climate change readiness the heart of the long term strategy: The company is one of most sustainable wine businesses in the world with more than 2MW of installed solar PV capacity providing over 60% of the annual energy needs in Fiscal 2022. Furthermore, with systems in place ensuring recycling and reuse of winery waste water, it is one of the sustainable wine companies in India. The company has achieved sustainability targets in the past such as reduction in consumption of water and energy per case produced, and intends to continue to attain more such milestones in the future. Furthermore, its entire vineyard acreage is drip irrigated, and rainwater harvesting, wastewater recycling and sustainable farming is practiced at the vineyards.

Pursue strategic investments and acquisitions to further consolidate the Indian wine industry: The company has a demonstrated record in acquiring and successfully integrating companies and teams over the last few years, with two significant acquisitions in the last five years. Through these acquisitions, the it seeks to consolidate the position further in the Indian wine market, increasing scale and market share. The company intends to continue to actively pursue strategic investments and acquisitions which are complementary to its business to focus on increasing market share, deepening presence in certain geographies; and improving profitability.

Continue to expand the Wine Tourism Business: The company's Wine Tourism Business goes hand in hand with its Wine Business and is an important factor contributing to its growth. A lot of "first-time" wine tasting is done in vineyards, thus establishing the importance of wine tourism. The company has increased the number of rooms at its Wine Tourism Business facilities from 33 rooms as of March 31, 2018, to 67 rooms as of September 30, 2022 and plans on adding additional rooms in the next few years. Furthermore, its Wine Tourism Business is also characterised by the highest D2C sales and profitability in the Indian wine industry and hence the company intends to continue to expand this to build on its brand, experience and expertise in the business.

For further details, refer to 'Strategies' page 202 onwards of RHP

Profile of Directors

Chetan Rameshchandra Desai is the Chairman and Non-Executive Independent Director of the company. He is a fellow member of the Institute of Chartered Accountants of India. He has previously worked with Haribhakti and Co., LLP, Chartered Accountants for over 39 years. He was serving as the managing partner of Haribhakti and Co., LLP, Chartered Accountants at the time of retirement and also used to head the audit and assurance practice of the firm.

Rajeev Samant is the Founder, Managing Director, Chief Executive Officer and the Promoter of the company. He holds a bachelor's degree in economics and a master's degree in science (industrial engineering) from Stanford University, United States of America. He has previously worked with Oracle Corporation.

Alok Vajpeyi is a Non-Executive Independent Director of the company. He holds a bachelor's degree in economics (international trade and development) from the London School of Economics and Political Sciences. He is a member of the Institute of Chartered Accountants in England and Wales. He has previously worked with Swiss Bank Corporation, Dawnay Day AV Financial Services Private Limited, Daiwa Capital Markets India Private Limited, Avendus Capital Public Markets Alternate Strategies LLP and the British High Commission, New Delhi.

Sangeeta Pendurkar is a Non-Executive Independent Director of the company. She holds a bachelor's degree in pharmaceuticals from the University of Bombay and master's degree in business administration from Savitribai Phule Pune University (earlier known as University of Pune). She is currently serving as the chief executive officer of Pantaloons, a division of Aditya Birla Fashion & Retail Limited. She has previously worked with Kellogg India Private Limited, the Hongkong and Shanghai Banking Corporation, Coca-Cola India Inc., Hindustan Lever Limited and Hindustan CIBA-CEIGY Limited (amalgamated into Novartis India Limited).

Arjun Anand is a Non-Executive Nominee Director of the company, nominated by Verlinvest Asia Pte. Ltd. He 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. He has previously worked with A.T. Kearney Australia Pty Limited.

Roberto Italia is a Non-Executive Nominee Director of the company, nominated by Verlinvest Asia Pte. Ltd. He is currently serving as the chief executive officer and managing director of Verlinvest S.A. He holds a master's degree in economics from Libera Università Internazionale degli Studi Sociali Guido Carli, Italy and a master's degree in business administration from INSEAD, France. He has experience in the private equity industry.

Given above is the abstract of data on directors seen on page 242 of the RHP

Object of the Offer

Since the Offer is an offer for sale, the Company will not receive any proceeds from the Offer.

(As seen on Page 121 of RHP)

Comparison with peers

The following peer group has been determined on the basis of companies listed on Indian stock exchanges, whose business profile is comparable to their business:

Company	FV/Share (₹)	EPS (Basic)	RONW (%)	NAV (₹ per share)	P/E (times)
Sula Vineyards Limited	2.00	6.53	11.45	55.34	[•]
Peer Group					
United Spirits Limited	2.00	11.68	16.63	67.09	76.14
Radico Khaitan Limited	2.00	19.70	13.18	149.46	53.36
United Breweries Limited	1.00	13.82	9.29	148.99	119.83

Above data is obtained from page 128 of RHP

Notes:

- For the industry peers, the Basic EPS has been sourced from the financial statements of the companies respectively for the Fiscal ended March 31, 2022.
- P/E Ratio has been computed based on the closing market price of equity shares on NSE on November 25, 2022 divided by the Basic EPS as at March 31, 2022.
- Return on Net Worth (%) = Profit for the year ended March 31, 2022 divided by Total Equity of the Company as on March 31, 2022.
- NAV is computed as the Total Equity of the Company as on March 31, 2022 divided by the outstanding number of equity shares as on March 31, 2022.

Financials (Restated Consolidated):

(Rs. in Million unless stated otherwise)

Particulars	As at 30 th September, 2022	As at 31 st March, 2022	As at 31 st March, 2021	As at 31 st March, 2020
Equity Share Capital	163.20	157.20	150.80	150.44
Other Equity	4,328.65	3,795.39	2,896.59	2,849.02
Net Worth	4,491.85	3,952.59	3,047.39	2,999.46
Total Borrowings	2,146.43	2,289.31	3,012.56	3,682.42
Revenue from Operations	2,240.68	4,539.16	4,179.59	5,216.34
EBITDAE	643.06	1,160.71	645.12	504.93
EBITDAE Margin (%)	28.70	25.57	15.44	9.68
Return on Capital Employed (ROCE) (%)	-	20.86	10.67	4.09
Profit/(Loss) Before Tax	412.55	695.37	31.86	(173.97)
Profit/(Loss) After Tax	305.06	521.39	30.14	(159.40)
PAT Margin (%)	13.61	11.49	0.72	(3.06)
Basic EPS	3.76	6.79	0.40	(2.09)

Above data obtained from pages 22, 76, 77 & 126 of RHP

Notes:

- (a) Basic EPS (₹) = Net profit / (loss) after tax attributable to equity shareholders, as restated / Weighted average number of equity shares outstanding during the year.
- (b) NAV per equity share (₹) = Restated net worth as at year end / Number of equity shares outstanding at end of the year.
- (c) ROCE (%) cannot be computed for the six month period ended September 30, 2022.
- (d) ROCE reported is calculated basis earnings before interest and tax and exceptional item, divided by capital employed (i.e. total equity plus non-current borrowing).
- (e) PAT margin (%) is calculated as net profit/ (loss) for the year (PAT) divided by revenue from operations.
- (f) EBIDTAE margin (%) is calculated as EBIDTAE margin divided by revenue from operations.

Key Risk Factors

- The industry is subject to a licensing and excise regime with changing laws, rules and regulations and legal uncertainties, including adverse application of corporate and tax laws.
- The company benefits from high import duties imposed on imports of international wines in India, but these duties could be reduced or eliminated in the future, adversely affecting the Wine Business.
- Adverse climatic conditions may impact the quality of wine grapes which are the company's key raw materials.
- The company may not be able to adjust the retail prices of its products as a result of state regulation.
- The company relies heavily on its brand portfolio and the success of the business strategy depends on its ability to enhance brands.
- The company's revenue from operations is dependent upon a limited number of customers (which includes state run corporations, wholesalers and independent distributors). Any adverse developments or inability to enter into or maintain such relationships could have an adverse effect on its business, results of operations and financial condition. Furthermore, the company competes for shelf space in retail stores and for marketing focus by its distributors, most of whom carry extensive product portfolios.
- The company has been subject to an inspection by the Ministry of Corporate Affairs ("MCA") in October, 2018. Pursuant to the inspection, the Office of Director General, MCA directed the Regional Director, MCA, Mumbai to file a prosecution against the company and consequently a complaint was filed against the company, Promoter and certain individuals who were appointed on the board of directors of the company during the period of inspection before the Additional Metropolitan Magistrate, Girgaon, Mumbai. In this regard, the company has filed four compounding applications before the MCA Directorate and have received the orders levying compounding fees, which has been paid.
- The company has in the past entered into related party transactions and may continue to do so in the future, which may potentially involve conflicts of interest.
- The company's processing units, raw materials and business operations are primarily concentrated in western and south-western parts of India, and any significant social, political, economic or seasonal disruption, or natural calamities or civil disruptions in these regions could have an adverse effect on the business, results of operations, future cash flows and financial condition.
- Any actual or alleged contamination or deterioration in the quality of the products or raw materials could result in legal liability, damage the company's reputation.
- The seasonality of the wine industry requires the company to predict demand and build up inventory accordingly, and it may be unable to accurately manage inventory and forecast demand for particular products in specific markets.
- The company's Wine Tourism Business is subject to seasonal and cyclical variations that could result in fluctuations in the results of operations and cash flows.
- The company may experience disruption in transportation arrangements for its products. A lack of adequate storage and transportation facilities may also impact the public perception of the company.
- The company's Statutory Auditors have included an emphasis of matter in its report on its financial statements for Fiscals ended March 31, 2022, March 31, 2021 and March 31, 2020.
- There are outstanding legal proceedings involving the company, Subsidiary, Promoter and Directors.
- The company has extended corporate guarantee(s) in connection with certain debt facilities availed by its subsidiary Artisan Spirits Private Limited ("ASPL"). There can be no assurance that such facilities will be repaid by ASPL in time and such corporate guarantees will not be invoked.

- The company's CEO and Managing Director, being a Promoter, holds Equity Shares in the company and is therefore interested in the company's performance in addition to his remuneration or benefits and reimbursement of expenses.
- The company has certain contingent liabilities, which if they materialize, may adversely affect its financial condition, cash flows and results of operations.
- The company has been unable to locate certain of its historical corporate records.
- The company has filed Form FC-GPR in relation to the issuance of its equity shares to a person resident outside India after the expiry of the prescribed time and cannot assure that these matters will be resolved.
- Industry information included in the Red Herring Prospectus has been exclusively derived from an industry report commissioned and paid for by the company in connection with the Offer. There can be no assurance that such third-party statistical, financial and other industry information is either complete or accurate.

Please read carefully the Risk Factors given in detail in section II (page 30 onwards) of RHP

Disclaimer

The information contained herein are strictly confidential and are meant solely for the information of the recipient and shall not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written permission of JM Financial Services Ltd. ("JMFS"). The contents of this document are for information purpose only. This document is not an investment advice and must not alone be taken as the basis for an investment decision. Before taking any decision to invest, the recipient of this document must read carefully the Red Herring Prospectus ("RHP") issued by Sula Vineyards Limited dated December 05, 2022 to know the details of IPO and various risks and uncertainties associated with the investment in the IPO of the Company. All recipients of this document must before acting on the given information/details, make their own investigation and apply independent judgment based on their specific investment objectives and financial position. They can also seek appropriate professional advice from their own legal and tax consultants, advisors, etc. to understand the risks and investment considerations arising from such investment. The investor should possess appropriate resources to analyze such investment and the suitability of such investment to such investor's particular circumstances before making any decisions on the investment. The Investor shall be solely responsible for any action taken based on this document. JMFS shall not be liable for any direct or indirect losses arising from the use of the information contained in this document and accept no responsibility for statements made otherwise issued or any other source of information received by the investor and the investor would be doing so at his/her/its own risk. The information contained in this document should not be construed as forecast or promise or guarantee or assurance of any kind. The investors are not being offered any assurance or guaranteed or fixed returns on their investments. The users of this document must bear in mind that past performances if any, are not indicative of future results. The actual returns on investment may be materially different than the past. Investments in Securities market products and instruments including in the IPO of the Company are highly risky and they are generally not an appropriate avenue for someone with limited resources/ limited investment and low risk tolerance. Such Investments are subject to market risks including, without limitation, price, volatility and liquidity and capital risks. Therefore, the users of this document must carefully consider all the information given in the RHP including the risks factors given in section II, page 30 onwards before making any investment in the Equity Shares of the Company.

In rendering this information, JMFS assumed and relied upon, without independent verification, the accuracy and completeness of the details/data provided by the Company by way of RHP. JMFS does not warrant the accuracy, reasonableness and/or completeness of any information mentioned in this document. Also, JMFS takes no responsibility of updating any data/information in this document from time to time. JMFS, its affiliates/associates and any of its directors, officers, employees and any other persons associated with it shall not be liable for any loss, damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, consequential, as also any loss of profit in any way arising from the use of this document in any manner whatsoever.

This document is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject JMFS and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this report may come, are required to take note of such restrictions and comply with the same.

Registration details:

JM Financial Services Ltd.

Stock Broker – Registration No. - INZ000195834

Corporate Identity Number: U67120MH1998PLC115415

Registered office Address: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai, Maharashtra Pin- 400025.

Tel: (91 22) 6630 3030 |Fax: (91 22) 6630 3223

Corporate office Address: 5th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai, Maharashtra Pin- 400025.

Tel: (91 22) 6704 3000/3024 3000 |Fax: (91 22) 6704 3139.