



Sula Vineyards Limited

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Offer Details

IPO Size	Rs. 960 Cr.
Shares Face Value	Rs.2 per share
Shares price band	Rs.340 to Rs.357 per share
Lot	42 shares
Opening Date	November 12, 2022
ClosingDate	November 14, 2022

Company Overview

- Sula Vineyards Limited was firstly incorporated as **“Nashik Vinters Limited”**. On August 11, 2014 it was renamed as **“Sula Vineyards Private Limited”**.
- It was established in the **year 1999 by Rajeev Samant**.
- Today, Sula is considered as **India’s leading wine company**.
- Sula has **13000+ retail outlets and 8000+ HoReCA outlets**.
- Sula is the most visited vineyard in India, with about 3, 68,000 people visiting Sula’s vineyards in FY 2020.
- Sula established the **first Wine Tasting Room in 2005**.

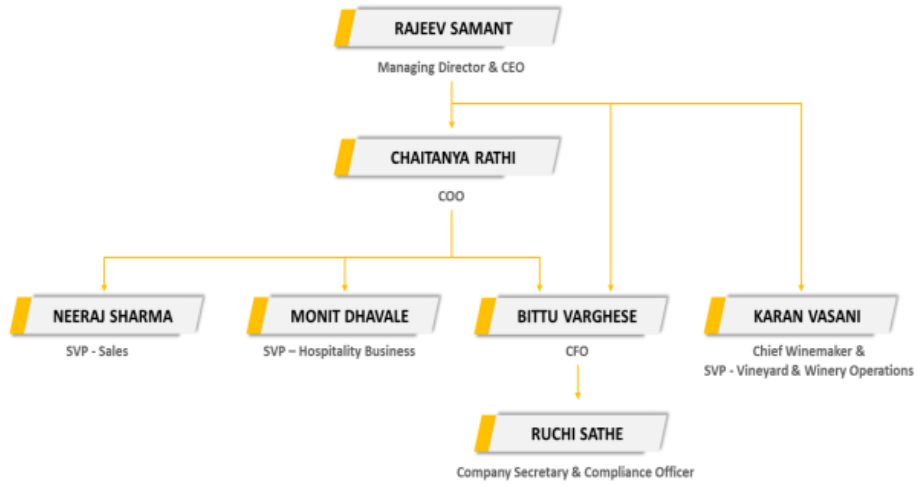
Key Products of the company

- The company makes different kinds of vine. Their product are as follows:
 - Rasa.
 - Dindori.
 - The Source.
 - Sula Classics.
 - Dia wine Sparklers.
 - Kadu.
- They also import leading international wines and spirits such as Le Grand Noir, Torres, Trapiche, and Hardy’s, Bouchard Aîné ET Fils, Cap Royal, Cono Sur, Gruppo Italiano Vini, Beluga Vodka, Asahi and many more.
- Sula **exports many of its wines to over 30 countries**: like Singapore, Australia, Italy, France etc.

The following map sets out our distribution network across our territories as of March 31, 2022:



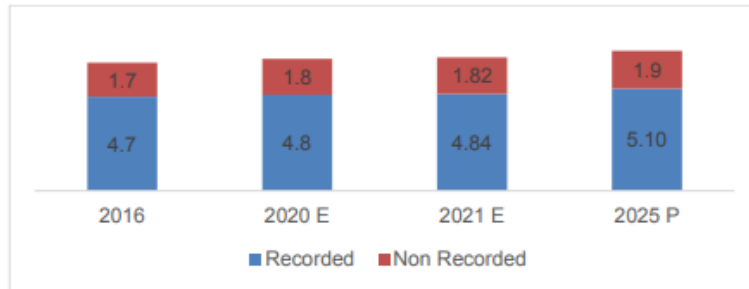
Management Organisation Structure



Industry Overview

- In the Alco-Beverage Industry it is measured by total alcohol per capita consumption in liters of pure alcohol per person per year and alcohol consumption in grams of pure alcohol per person per day. This is a standard method used by WHO.

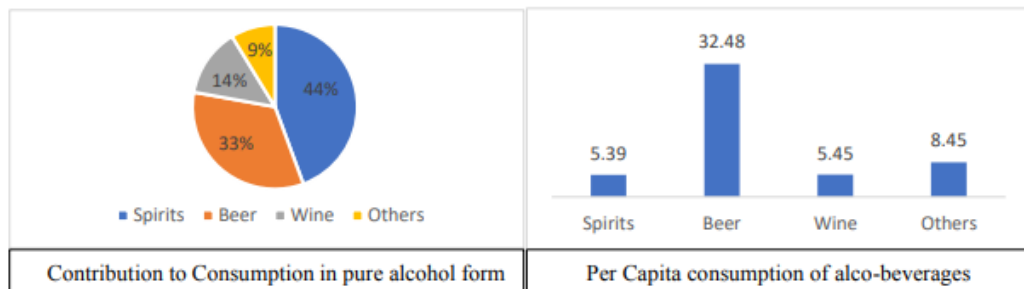
World Per capital Alcohol consumption in Pure alcohol form for CY (in liters)



(Source: WHO: Global status report on alcohol and health 2018, Technopak Analysis)

- Alcohol consumption **is divided into three major product segments which includes spirit, beer and wine.**
- As per WHO, contribution of wine in the consumption of alcoholic beverages has progressively risen from 8.6% in 2005 to 11.7% in 2016, and has been estimated to reach 13.5% in CY 2021 as per data on recorded 100% pure alcohol consumption.

World Per capita Recorded Alcohol consumption CY 2021 (in liters)



Note: (1) Per capita consumption of alcohol as per actual alcohol content of each category. (Source: Technopak Analysis)

- **India's per capita wine consumption is not even 100 ml.**
- The total contribution of wine to overall alcohol is not even 1% in the Indian Market.

Per Capita alco-beverage consumption as per alcohol concentration CY 2021 (in Liters)

Location	Spirits	Beer	Wine	Other	All types
Germany	4.97	110.53	25.19	-	140.68
Japan	4.55	26.77	3.07	105.13	139.52
Spain	5.78	91.60	29.78	3.67	130.83
UK	5.94	69.94	28.88	11.75	116.51
France	5.75	49.64	52.79	3.52	111.70
South Africa	3.27	78.62	11.13	13.97	106.99
USA	8.39	78.45	14.18	-	101.02
Italy	2.00	39.96	41.08	-	83.03
Brazil	4.91	75.30	1.93	0.85	82.99
Russia	7.01	55.71	8.05	2.14	72.91
China	7.11	32.66	1.56	0.85	42.19
India	6.93	4.79	0.04	-	11.75
World	5.39	32.48	5.45	8.45	51.77

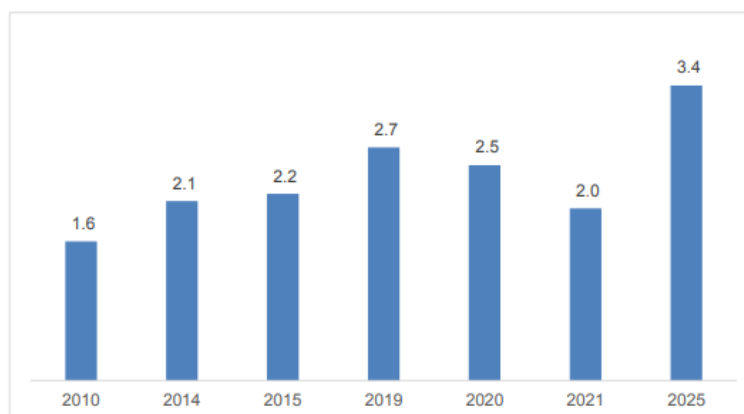
Notes:

- (1) Per capita consumption calculated from pure alcohol, taking into consideration alcohol concentration of respective categories as a factor
- (2) Data projected basis WHO data up to 2019

(Source: Technopak Analysis)

- **India is considered as one of the fastest growing alcohol markets in the world.**
- The recorded per capita consumption of pure alcohol in India has moved from 0.9 liter in 2000 to 3 liter in 2015 at a CAGR of more than 8%.
- It is projected that almost 39% of the population will start drinking alcohol by the year 2025.
- In the year 2020 it was estimated that the Indian Alco-Beverage size reached 2.5 lakh Crore INR, making it one of the biggest markets in the world.
- The Indian wine industry is growing at a much quicker pace at 18.3% by value between FY2014 to FY 2019 than the IMFL market growing at 10.8% by value for the same period.
- People are now getting aware about the health benefits of wine. Which makes it more acceptable in the general audience.

Indian wine market in million cases (data for FY)

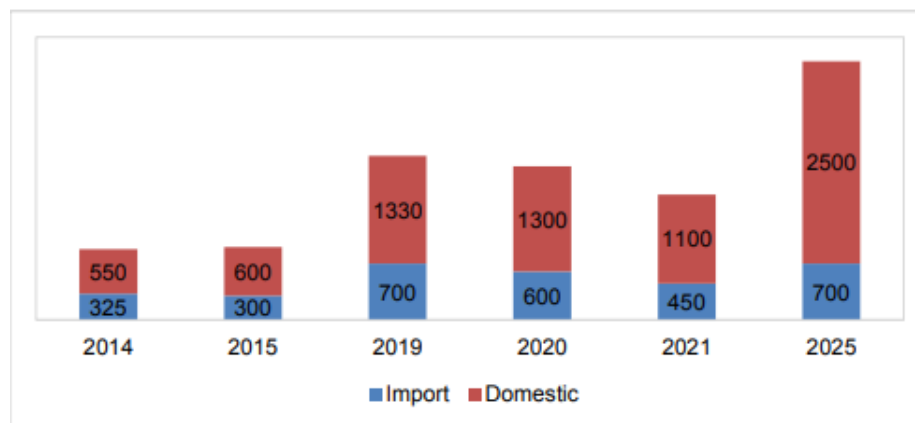


Note:

- (1) Data projected basis reports from WHO, OIV, import data.

(Source: Technopak Analysis)

- Post Covid 19, recalling brands has helped companies a lot. Since there are not many options in front of them, they automatically remember a few names.
- Wine tourism has also helped in increasing awareness of wine. Thus helping the industry to grow.
- **Indian Wine Market is expected to grow at a CAGR of 14% in terms of volume** from FY 2021 to FY 2025 with domestic players dominating volumes.
- The Indian wine market is expected to reach INR 3,200 CR by 2025 with a CAGR of 20% from 2021.



- Government's policy is one of the key drivers for the growth of the wine industry. Due to its health benefit the government is very lenient in the policies they make for wine companies. They are also in the talks with the government for reducing the distribution and taxation on wines including taxes on interstate movement.
- The concept of wine and dine is also gaining popularity which ultimately boost the wine industry.

What is working for the company?

- **Wine business is a very concentrated business.** Since it is a capital intensive business making it difficult for other players to enter easily.
- The wine value chain process is a long term process. It requires a few years to harvest and old the wine. So again this makes an entry barrier for others to enter this business.
- **Sula is the market leader in the Indian domestic wine market.** With a leadership of 52.6% in the fiscal FY21. (Source: Technopak Report).
- As of March 31, 2022, it has a presence in 25 states and six union territories in India. We also entered the overseas markets in 2003, and currently offer our wines in over 20 countries, including Spain, France, Japan, the United Kingdom and the United States (Source: Technopak Report).
- This company has been a pioneer of wine tourism in India, which has led to a strong D2C presence. They have helped to create a unique wine culture in India. For example, we launched the first wine tasting room in India in Fiscal 2005 at our facility in Nashik, Maharashtra (Source: Technopak Report).
- They have conducted approximately 90,000, 43,000 and 85,000 wine tasting sessions during Fiscals 2020, 2021 and 2022, respectively.
- The brand Awareness of the company is increasing. It has more penetration into tier 2 cities.
- **Sula vineyard is amongst the top 10 most followed vineyards in the world.**

What is not working for the company?

- The company has benefited a lot from higher import duties on international wines. This can anytime fade away if the government decides to change its policies
- **The changes in climatic conditions can impact a lot on the sales of a company.** As its key raw material is grapes and grapes need a minimum of 2 years to mature in a proper climatic conditions.
- The **company's business is very much dependent on the customer because if the taste of the customer changes then again it can affect its sales.**
- The customers of the wine Business are primarily state run corporations, wholesalers and independent distributors who purchase our products for resale to retail outlets, restaurants, hotels and private clubs across India, and in some overseas markets. A change in the relationship with any of their significant customers could harm the business and reduce their sales.
- The key managerial personnel of the company is involved in some kind of criminal activities.
- The inventory management plays a crucial role because the company has to stock up its inventory during the season. If they fail to accurately manage it. They might lose market share.
- This is a very capital intensive business so the company might be required to manage its funds efficiently and failing in going that can create an adverse effect on the company. **The company has failed to obtain funding can also impact the business.**
- The company doesn't own 2 of its production facilities. So if they fail to maintain good relations with the landlords, it might worsen the situation.

Financial Statements

Profit & Loss

Consolidated Figures in Rs. Crores / [View Standalone](#)

	Mar 2020	Mar 2021	Mar 2022
Sales +	485	386	424
Expenses +	432	322	311
Operating Profit	53	64	113
OPM %	11%	17%	27%
Other Income +	-2	-2	3
Interest	33	33	23
Depreciation	35	26	24
Profit before tax	-17	3	70
Tax %	8%	5%	25%
Net Profit	-16	3	52

Balance Sheet

Consolidated Figures in Rs. Crores / [View Standalone](#)

[CORPORATE ACTIONS](#)

	Mar 2020	Mar 2021	Mar 2022
Share Capital +	15	15	16
Reserves	284	289	379
Borrowings +	393	315	240
Other Liabilities +	139	132	124
Total Liabilities	831	752	759
Fixed Assets +	355	318	361
CWIP	0	0	1
Investments	0	0	0
Other Assets +	476	434	396
Total Assets	831	752	759

Cash Flows

Consolidated Figures in Rs. Crores / [View Standalone](#)

	Mar 2020	Mar 2021	Mar 2022
Cash from Operating Activity +	45	120	87
Cash from Investing Activity +	-44	-22	-57
Cash from Financing Activity +	33	-94	-61
Net Cash Flow	34	3	-31

Our recommendation

- Sula Vineyards Limited is a very capital intensive business.
- The wine drinking culture in India is still on a developing stage.
- The key personnel who runs the business has many pending litigations under civil and criminal cases.
- The business of the company is dependent on the cultivation of grapes which is dependent upon specific seasons.
- **Our recommendation is to avoid this IPO.**

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