

DECEMBER 09, 2022

IPO Note

SULA VINEYARDS LTD (SVL)**NOT RATED**

(Note: All the information in this note is taken from RHP)

(For private circulation only)

Offer Details

The offer consists of offer for sale of up to 2.69 cr shares by the Selling Shareholders. The price band is in the range of Rs.340-357/share. The total size of the issue is ~Rs960.3 cr at upper level of price band.

Offer details

Particulars	Details
Price Band	Rs.340 to Rs.357 per equity share
Face Value	Rs2/share
Opening Date [^]	12-Dec-22
Closing Date	14-Dec-22
No. of shares pre-issue (nos. crs)	8.4
Fresh Issue (nos. crs)*	0.0
Offer for sale (nos. crs)	2.7
No. of shares post-issue (nos. crs)	8.4
Offer for sale size (Rs Cr)*	960.3
Total Issue size (Rs Cr)*	960.3
Bid Lot size	42 Equity share & in multiple of 42 equity share thereafter.
Book building	
QIB: (including Anchor)	50%
Non-Institutional	15%
Retail	35%
Listing	BSE & NSE
BRLM	Kotak Mahindra Capital Company Limited / CLSA India Private Limited / IIFL Securities Limited.
Registrar to the issue	KFin Technologies Limited.

Source: Company's RHP; [^]The Anchor Investor Bidding Date shall be one Working Day prior to the Bid/Offer Opening Date Friday 9th December 2022, *At upper price band

Objects of the offer

Objects of the offer are to (i) to carry out the Offer for Sale of up to 26,900,530 Equity Shares, by the Selling Shareholders; and (ii) achieve the benefits of listing the Equity Shares on the Stock Exchanges. The Company will not receive any proceeds from the Offer and all such proceeds (net of any Offer related expenses to be borne by the Selling Shareholders) will go to the Selling Shareholders.

Share Holding Pattern

	Pre-offer	Post-offer
Promoters & Promoter group	28.4%	27.3%
Public	71.6%	72.7%
Total	100.0%	100.0%

Source: Company RHP

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Selling shareholders

Name	Total shares offered (Nos)
Promoter	
Rajeev Samant	937,203
Investor selling shareholders	
Cofintra S.A.	7,191,835
Haystack Investments Limited	200,000
Saama Capital III, Ltd.	687,389
SWIP Holdings Limited	121,076
Verlinvest S.A.	7,191,835
Verlinvest France S.A	6,579,565
Other selling shareholders	
Dinesh G. Vazirani	50,000
J.A. Moos	2,250
Karishma Singh	479,063
Major A.V. Phatak (Retd.)	8,625
Narain Girdhar Chanrai	1,007,314
Ruta M. Samant	2,014,758
Sanjay Naraindas Kirpalani	429,617

Source: Company RHP

Business Overview

Sula Vineyards Ltd (SVL) is India's largest wine producer and seller as of March 31, 2022 (Source: Technopak Report). The company 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 FY09. The company has consistently gained market share (on the basis of the total revenue from operations) from 33 per cent. in FY09 in 100 per cent. grapes wine category to 52 per cent. in value in FY22 (Source: Technopak Report).

Furthermore, SVL is the market leader across all four price segments, being 'Elite' (Rs 950+), 'Premium' (Rs 700-950), 'Economy' (Rs 400-700) and 'Popular' (<Rs 400), with a higher share of approximately 61 per cent. by value in the 'Elite' and 'Premium' categories in FY22. Furthermore, they are also recognized as the market leader across wine variants, including red, white and sparkling wines (Source: Technopak Report). Sula Shiraz Cabernet is India's largest selling wine by value in FY21 (Source: Technopak Report).

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

- i) the production of wine, the import of wines and spirits, and the distribution of wines and spirits (the "Wine Business"); and
- ii) the sale of services from ownership and operation of wine tourism venues, including vineyard resorts and tasting rooms (the "Wine Tourism Business").

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, the company produces 56 different labels of wine at four owned and two leased production facilities located in the Indian states of Maharashtra and Karnataka.

The company serviced close to 8,000 hotels, restaurants and caterers, which makes it the leader in terms of footprint among wine players in India (Source: Technopak Report), and experienced a significant rise in its Off-trade sales in

the last 3 years with its Off-trade sales contributing 72.25 per cent. of its secondary sales during FY22, compared to 61.33 per cent. in FY20. During the H1FY23 and H1FY22, the contribution from its Off-trade sales was 70.75 per cent. and 72.95 per cent. of its secondary sales, respectively. SVL has tie-ups with distributors in Maharashtra, Haryana, Delhi, Goa and Punjab. To that end, the company has managed to build the largest distribution network among wine companies in India, with close to 13,000 retail touchpoints across the country in 2021 (Source: Technopak Report).

SVL also has a strong direct to consumer (“D2C”) selling channel primarily through its Wine Tourism Business facilities in Nashik (Maharashtra) and Bengaluru (Karnataka), with the highest number of D2C sales in the Indian wine industry in Fiscal 2021 (Source: Technopak Report). Its products are available over various e-commerce platforms, which is helping further increase its D2C footprint.

SVL is the pioneers 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 its facility in Nashik, Maharashtra (Source: Technopak Report). As part of its Wine Tourism Business, the company owns and operate two vineyard resorts located at and adjacent to its winery in Nashik, Maharashtra, under “The Source at Sula” and “Beyond by Sula” brand names, having room capacities of 57 and 10 rooms as of September 30, 2022, respectively. It launched the first wine tasting room in India in FY05 at its winery in Nashik, Maharashtra (Source: Technopak Report) followed by a wine tasting room at its “Domaine Sula” facility in Karnataka in FY17. Its Wine Tourism Business has been successful with its resorts, recording an approximate revenue per room of Rs9,044, Rs10,367, Rs10,225 and Rs10,195 and an occupancy rate of 43.66 per cent., 70.97 per cent., 55.69 per cent. and 77.37 per cent. for the FY21, FY22, H1FY22 and H1FY23, respectively.

Product portfolio

Still wine: Wine that is neither sparkling nor fortified. Still wine constituted 85.38 per cent. of SVL’s total production as of September 30, 2022 with 15 labels under the Elite category, 22 labels each under the Premium and Economy categories and 9 labels under the Popular category; and

Sparkling wine: Wine that contains bubbles from dissolved carbon dioxide. Sparkling wine constituted 14.62 per cent. of its total production as of September 30, 2022 with 6 labels under the Elite category and 2 labels each under Premium and Economy categories.

Industry

India is one of the fastest growing alcoholic beverage markets in the world, growing from a small base of 1.3 litres per capita of recorded consumption in 2005 to 2.7 litres in 2010 (Source: Technopak Report). However, the per capita consumption of wine in India is less than 100 ml, with the contribution of wine to overall alcohol consumption being less than 1 per cent., compared to the world average of close to 13 per cent.

Key Financial and Operational Performance Indicators - Revenue

Particulars (Rs cr)	FY20	FY21	FY22	H1FY22	H1FY23
(A) Wine Business (1)	493.1	398.4	416.6	145.4	203.3
Own brands	331.6	287.3	380.9	131.7	191.5
– Elite (%)	18.5%	19.9%	24.1%	23.6%	25.1%
– Premium (%)	49.3%	48.7%	46.5%	46.1%	45.4%
– Economy (%)	15.1%	15.8%	13.6%	14.8%	12.6%
– Popular (%)	17.1%	15.6%	15.8%	15.6%	16.9%
Third Party Brands and distribution business (2)	161.5	111.1	35.7	13.7	11.7
(B) Wine Tourism Business	28.2	18.1	34.6	12.1	19.8
(C) Others (3)	0.4	1.4	2.7	1.6	1.0
Revenue from operations (A+B+C)	521.6	418.0	453.9	159.2	224.1
Year on year revenue growth (%)	-	-19.9%	8.6%	-	40.8%
Revenue contribution (%)					
Wine Business - Own Brands	63.6%	68.7%	83.9%	82.8%	85.5%
Wine Business - Imports	31.0%	26.6%	7.9%	8.6%	5.2%
Wine Tourism Business	5.4%	4.3%	7.6%	7.6%	8.8%
Others	0.1%	0.3%	0.6%	1.0%	0.4%

Source: Company RHP

Notes:

- (1) Wine Business includes revenue from sales of its owned wines (including the Maharashtra Government subsidy on sales tax or wine industry promotion subsidy (“Government Grants”)) and other alcoholic beverages imported by the company. For Fiscals 2020 and 2021, this also includes the revenue contribution from its erstwhile subsidiary
- (2) Third Party Brands and distribution business includes the revenue from sales of alcoholic beverages imported by the company and revenue from brands distributed by its erstwhile subsidiary PADPL in Fiscals 2020 and 2021.
- (3) Includes provisions and balances no longer required, which were written back, and other miscellaneous sale of packing material consumables etc.

Key Financial and Operational Performance Indicators – Profit and ratios

Particulars (Rs cr)	FY20	FY21	FY22	H1FY22	H1FY23
Gross Margin	249.2	223.8	296.4	103.6	157.8
Gross Margin (%)	0.5	0.5	0.7	0.7	0.7
EBITDAE	50.5	64.5	116.1	30.1	64.3
EBITDAE Margin (%)	9.7%	15.4%	25.6%	18.9%	28.7%
Net Asset turnover*	1.7	1.4	1.2	-	-
Cash Conversion Cycle* (days)	237	317	347	-	-
Days Sales Outstanding* (days)	115	125	98	-	-
Days Inventory Outstanding* (days)	252	358	449	-	-
Days Payable Outstanding* (days)	130	166	200	-	-
ROCE – reported* (%)	4.1%	10.7%	20.9%	-	-
Net Working Capital Days*(days)	26	48	65	-	-
Debt to Equity Ratio (times)	1.2	1.0	0.6	0.8	0.5
Debt to EBITDAE Ratio* (times)	7.3	4.7	2.0	-	-
Net profit/ (loss) for the year (PAT)	-15.9	3.0	52.1	4.5	30.5
PAT Margin (%)	-3.1%	0.7%	11.5%	2.9%	13.6%

Source: Company RHP, Notes: *These ratios cannot be computed for the six months periods ended September 30, 2022 and September 30, 2021

Gross Volume

lakh litres	FY20	FY21	FY22	H1FY21	H1FY22
(A) Own Brands Gross Volume	76.8	64.6	80.4	28.2	39.8
(B) Third Party Brands and distribution business Gross Volume	5.0	3.3	3.8	1.7	1.1
Gross Volume (A + B)	81.8	67.8	84.2	29.9	40.9

Source: Company RHP

Volume of Sales of Own Brands (by number of cases) and their volume contribution

	FY20	FY21	FY22	H1FY21	H1FY22
Elite and Premium (no. of cases) (A)	393,878	330,562	442,833	153,579	214,153
Volume contribution (%) ⁽¹⁾	46.2%	46.1%	49.6%	49.0%	48.5%
Economy and Popular (no. of cases) (B)	459,402	386,692	450,712	160,004	227,794
Volume contribution (%)	53.8%	53.9%	50.4%	51.0%	51.5%
Total volume of sales (no. of cases) (A+B)	853,280	717,254	893,545	313,583	441,946

Source: Company RHP

Competitive Strengths

High barriers of entry

The wine market in India will remain concentrated, with high barriers to entry due to the nature of the product, as well as trade barriers prevalent in the alcoholic beverage market. (Source: Technopak Report) Some of the key factors are set out below:

- Wine making involves the investment of capital and time for the development of vineyards
- The wine business has a high inventory business model compared to other alcoholic beverages
- The wine value chain process is long, and wine may require a few years before it is ready to be bottled.
- Wine grapes require significant work by farmers, who spend many years waiting for the first harvest.
- Each state in India establishes its respective alcohol policy, including with respect to procurement, pricing, distribution and any restrictions on its use.
- Branding – both direct and indirect advertising of alcohol is prohibited in India, and it can be advertised only at point of sale.
- High import duties, freight and logistics costs – imported wines face high import duties as well as freight and logistic barriers that render them much more expensive relative to locally produced wines.
- Vineyard plantation – the plantation of vineyards requires a long track record, trust and reputation among farmers, which SVL has with its proven track record successfully built over the last two decades.

Established market leader in the Indian wine industry with the leading brand “Sula”

Since its incorporation in 2003, the company has built a strong network across key markets, which gives it a competitive advantage over other wine players (Source: Technopak Report). 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 (Source:

Technopak Report). In addition to “Sula”, the company owns the “RASA”, “The Source”, “Dindori”, “York”, “Satori”, “Mosiack”, “Madera”, “Samara” and “Dia” brand names, among others, which are strong individual brands with distinct identities.

Largest wine producer in India with the widest and innovative product offering supported by an efficient production mechanism

SVL is the clear market leader in the Indian domestic wine industry, with its market share by value being 52 per cent. in FY22 (Source: Technopak Report). The company has been a consistent market leader in the Indian wine industry in terms of sales volume as well as value (on the basis of total revenue from operations) since Fiscal 2009. The ‘Premium’ and ‘Elite’ wine categories contributed approximately 61 per cent. by value and 40 per cent. by volume of the Indian domestic 100 per cent. grape wine market in FY20 and are projected to grow at a CAGR of 19.7 per cent. by volume in the period between FY22 to FY25 as compared to overall category growth of approximately 15.8 per cent. during the same period (Source: Technopak Report).

SVL was the first to introduce varietal wines in India in 2003, with its Sauvignon Blanc, Chenin Blanc, Zinfandel, Riesling, Red Sparkling and dessert wine offerings, and was also the first to adopt the use of refrigerated stainless steel tanks for the production of its wines, which revolutionized tropical winemaking (Source: Technopak Report). The company also introduced the ‘Charmat’ method for producing sparkling wines, which enables the company to produce its wines faster and more efficiently. Also, SVL introduced screwcaps on wine bottles in 2006. Screwcaps in place of cork ensures that wine is not spoilt due to leakage or cork taint. It has also helped retailers store higher quantity of wines. This is one of the important innovations which has helped the industry grow in India (Source: Technopak Report).

Largest wine distribution network and sales presence

As of September 30, 2022, SVL has a presence in 25 states and six union territories in India. The company also entered the overseas markets in 2003, and currently offers its wines in over 20 countries, including Spain, France, Japan, the United Kingdom and the United States (Source: Technopak Report).

Its widespread sales and distribution platform enables its products to reach its consumers ensuring consistent availability. 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, its products have a high visibility and availability across the country. The company’s distribution platform included over 50 distributors, 11 corporations, 14 licensed resellers, 7 company depots, 3 defence units as of September 30, 2022, over 23,000 points of sale (including over 13,500 retail touchpoints and over 9,000 hotels, restaurants and caterers) as of March 31, 2022.

Secured supply of raw material with long-term contracts exclusive to Sula

As of June 30, 2022, SVL 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 its total acreage, the company 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 its annual supply of wine grapes, and SVL 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

SVL has been a pioneer of wine tourism in India, which has led to a strong D2C presence. The company believes with its combination of resorts, tasting rooms and restaurants, it has helped to create a unique wine culture in India. SVL is the most visited vineyard in India, with approximately 368,000 people visiting its vineyards in Fiscal 2020 (Source: Technopak Report). As part of its Wine Tourism Business, SVL owns and/or operates “The Source at Sula” and “Beyond by Sula” vineyard resorts located at and adjacent to its facility in Nashik, Maharashtra, having a combined room capacity of 67 rooms as of September 30, 2022. Supplementing its Wine Tourism Business, the company has experienced a strong and consistent D2C demand for its wines from visitors at its wine tourism facilities in Nashik, Maharashtra and Bengaluru, Karnataka (primarily focused on its ‘Elite’ category of wines), with an average sale of approximately 225,000 bottles (units of 1500ml, 750ml, 375ml bottles sold or served to consumers at its outlets in these facilities) each year over the last three Financial Years.

Early adoption and focus on sustainability

Sustainability is a key focus area for the Company and is infused in its business decisions, including the packaging of its products. Clean renewable energy is one main focus of its sustainability efforts, and SVL is a leader in installing clean renewable energy at its wineries, with over 2MW of installed solar PV capacity providing more than 60 per cent. of its annual energy needs in FY22. SVL has been successful in building a responsible supply chain, sourcing raw materials locally, and optimizing packaging materials using lightweight bottles. The company has been sourcing more than 96 per cent. of its packaging material locally since FY20, in line with the ‘Make in India’ initiative of the Indian Government.

Key managerial personnel

Name	Profile
Rajeev Samant	He is the 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 is the founder of the Company. He has previously worked with Oracle Corporation.
Karan Vasani	He is the Chief Wine Maker and Senior Vice President – Vineyard and Winery Operations of the Company. He has been working with the Company since October 1, 2013 in various capacities. He holds a bachelor’s degree in commerce from University of Mumbai and a graduate diploma in viticulture and oenology from Lincoln University, New Zealand
Chaitanya Rathi	He is the Chief Operating Officer of the Company. He has been working with the Company since April 1, 2019 as the chief operating officer and previously between December 26, 2006 and March 31, 2013 in various capacities. He has also provided consultancy services in relation to the Company’s hospitality business in the past. He holds a bachelor’s degree in science in biotechnology from the University of Mumbai, a master’s degree of science in food biotechnology from the University of Strathclyde and a master’s degree in business administration from INSEAD. He has previously worked with Everstone Capital Advisors Private Limited and Mswipe Technologies Private Limited in various capacities
Bittu Varghese	He is the Chief Financial Officer of the Company. He has been working with the Company since April 25, 2019. He has also been working as the chief financial officer of ASPL since November 7, 2022. He holds a bachelor’s degree in commerce from University of Mumbai. He is a member of the Institute of Chartered Accountants of India. He has previously worked with Marico Industries Limited, S.C. Johnson Products Private Limited (earlier known as Karamchand Appliances Private Limited), Hindustan Coca-Cola Beverages Private Limited and Pernod Ricard India Private Limited in various capacities.
Neeraj Sharma	He is the Senior Vice President – Sales of the Company. He has been working with the Company since April 15, 2019 in various capacities. He holds a bachelor’s degree of technology in dairy technology from National Dairy Research Institute, Karnal and a post-graduate diploma in management (agriculture) from the Indian Institute of Management, Ahmedabad. He has previously worked with Jagatjit Industries Limited, William Grant and Sons India Private Limited, Diageo India Private Limited and the Times of India Group in various capacities.
Monit Dhavale	He is the Senior Vice President – Hospitality Business of the Company. He has been working with the Company since April 27, 2009 in various capacities. He holds a bachelor’s degree of technology in home science (hotel management and catering technology) from Nagpur University and master of personnel management from Savitribhai Phule Pune University (earlier known as University of Pune). He has also successfully completed a course in bar and beverage management from the Educational Institute of the American Hotel and Lodging Association

Source: Company RHP

Strategies

Continuous focus on its Own Brands

One of the main strategies of the company is to continue focusing on its Own Brands over Third Party Brands that it imports and distributes. SVL made a clear shift towards focussing on its Own Brands in Fiscal 2020, which got further accelerated by the COVID-19 pandemic. Sales of its Own Brands accounted for 85.49 per cent., 82.75 per cent. and 83.91 per cent. of its revenue from operations for the H1FY23 and H1FY22, and FY22, respectively, as compared to 63.57 per cent. in Fiscal 2020, when it had a significant Third Party Brand distribution business, contributing 30.96 per cent. of its revenue from operations during the same period.

Focus on premiumization of its product portfolio

SVL 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. Its share in the 'Elite' and 'Premium' categories increased at 62 per cent. by value in Fiscal 2022 (Source: Technopak Report). The company intends to continue to leverage its distribution capability to launch new products under these categories to further increase its revenue and market share in the Indian wine market. SVL launched a total of seven labels under its brands, Sula, The Source, RASA and Dindori, 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 per cent. in the 'Elite' category by the end of FY21.

SVL has been successful in consistently raising the prices of its wines by an annual (fiscal) average of 6 per cent. from March 31, 2019 to March 31, 2022. Its combined sales revenue in the 'Elite' and 'Premium' segments contributed 70.53 per cent., 69.67 per cent., 70.57 per cent., 68.58 per cent. and 67.81 per cent. of revenue from its Own Brands for the H1FY23, H1FY22, and FY22, FY21 and FY20, respectively.

Increasing wine awareness and consumption, and penetrating further into Tier-1 and 2 cities in India

The majority of wine consumers are from the top urban centres in India, with Mumbai, Bengaluru (Karnataka), Delhi NCR, Pune, and Hyderabad contributing more than 70 per cent. of the overall market. SVL's strategy is to increase its 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. Its distribution network enables the company to increase the availability and visibility of its brands. The company has built a large distributor network catering to over 50 distributors, 11 corporations, 14 licensed resellers, 7 company depots and 3 defence units as of September 30, 2022, and over 23,000 points of sale (including more than 13,500 retail touchpoints and over 9,000 hotels, restaurants and caterers) as of March 31, 2022. SVL intends to further expand its distribution platform by engaging additional distributors, consolidating existing distributors and increasing the number of distributors in these under-penetrated markets. These measures will enable them to increase the availability of its products which will in turn increase brand awareness and revenue.

Effectively use digital media to increase awareness of wine in India

Digital marketing and social media platforms are instrumental to increase awareness of SVL's brand and wine in general in India. The company's initiatives included 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 or their 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 (Source: Technopak Report). Such initiatives are expected to result in generating greater brand awareness, and an increase in wine penetration in India.

Continue to make sustainability and climate change readiness the heart of its 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 them with over 60 per cent. of its annual energy needs in Fiscal 2022. 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.

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. The company is continuously seeking potential synergies through M&A. Through these acquisitions, it seeks to consolidate its position further in the Indian wine market, increasing its scale and market share. Its acquisitions of the brands and assets of Heritage Winery ("Heritage") and York Winery in Fiscals 2017 and 2022, respectively, are testament to this.

SVL intends to continue to actively pursue strategic investments and acquisitions which are complementary to its business. Such efforts will be focused on: (a) increasing its market share further; (b) deepening its presence in certain geographies; and (c) improving profitability.

Continue to expand its Wine Tourism Business

SVL's Wine Tourism Business goes hand in hand with its Wine Business and is an important factor contributing to its growth. The company launched and first held "SulaFest" in 2008, which involved a two-day celebration of wine, music and food in Nashik, Maharashtra. Its "SulaFest" festival is widely sought after, with more than 10,000 people attended the festival in 2020. 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 plan on adding additional rooms in the next few years. The company intends to continue to expand its Wine Tourism Business, to build on its brand, experience and expertise in this business.

Key Risks

- Wine 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.
- SVL 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 its Wine Business
- Adverse climatic conditions may impact the quality of wine grapes which are SVL's key raw materials
- Any supply disruptions in raw materials could adversely and materially affect its business
- The company may not be able to adjust the retail prices of its products as a result of state regulation
- The company may not be able to adjust the retail prices of its products as a result of state regulation
- SVL reported a restated loss in the past fiscals and may incur additional losses in the future
- The Indian wine market is relatively young, facing imminent challenges as consumption of alcohol and spirits in particular, is highly prominent compared to wine consumption in India
- SVL'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 its business, results of operations, future cash flows and financial condition
- Advertising of alcoholic beverage products is restricted in India and the company is unable to advertise its products by traditional means
- The coronavirus pandemic ("COVID-19") has had an adverse effect on the company's business and operations, and the extent to which it may continue to do so in the future cannot be predicted
- The seasonality of the wine industry requires to predict demand and build up inventory accordingly, and the company may be unable to accurately manage inventory and forecast demand for particular products in specific markets

Financials

Restated Consolidated statement of Assets and Liabilities

Particulars (Rs cr)	FY20	FY21	FY22	H1FY22	H1FY23
ASSETS					
Non-current assets					
Property, plant and equipment	326.3	304.0	344.4	309.6	341.2
Right-of-use assets	23.7	12.5	9.3	11.8	10.8
Capital work-in-progress	0.1	0.1	1.0	2.5	11.9
Goodwill	2.7	0.0	0.9	0.9	0.9
Other intangible assets	2.0	1.2	6.7	6.9	6.4
Financial assets					
Investments	0.0	0.0	0.0	0.0	0.0
Loans	1.1	1.1	1.9	1.3	2.1
Other financial assets	18.9	21.8	21.0	16.0	38.0
Deferred tax assets (net)	0.0	-	-	-	-
Non-current tax assets (net)	8.8	0.1	0.2	1.3	0.2
Other non-current assets	4.4	3.7	2.7	4.1	7.8
Total non-current assets	387.9	344.7	388.0	354.4	419.2
Current assets					
Inventories	171.3	143.9	162.3	133.3	147.3
Financial assets					
Investments	0.1	-	-	-	-
Trade receivables	151.7	123.6	109.4	120.5	102.5
Cash and cash equivalents	37.5	40.8	10.2	15.9	13.7
Bank balances other than cash and cash equivalents					
Loans	2.8	11.0	9.4	8.8	8.8
Other financial assets	2.4	1.1	1.2	1.2	1.5
Other current assets	65.2	46.9	73.6	63.5	70.3
Other current assets	12.1	7.5	4.5	10.2	7.7
	443.1	374.9	370.5	353.5	351.8
Non-current assets and assets of a disposal group classified as held for sale	-	32.1	-	9.7	-
Total current assets	443.1	406.9	370.5	363.1	351.8
TOTAL ASSETS	831.0	751.6	758.6	717.5	771.0
EQUITY AND LIABILITIES					
Equity					
Equity share capital	15.0	15.1	15.7	15.4	16.3
Other equity	284.9	289.7	379.5	328.9	432.9
Equity attributable to owners of the parent	299.9	304.7	395.3	344.3	449.2
Non-controlling interest	2.4	-	-	-	-
Total equity	302.3	304.7	395.3	344.3	449.2
Liabilities					
Non-current liabilities					
Financial liabilities					
Borrowings	78.8	59.1	48.1	53.7	41.2
Lease liabilities	18.7	10.0	6.2	8.7	7.8
Provisions	8.1	10.0	2.0	11.8	3.1
Deferred tax liabilities (net)	17.6	16.0	16.9	14.8	16.2
Total non-current liabilities	123.2	95.1	73.2	89.0	68.3
Current liabilities					
Financial liabilities					
Borrowings	289.4	242.1	180.9	208.8	173.4
Trade payables	1.1	1.0	0.5	0.8	1.5
-total outstanding dues of micro enterprises and small enterprises	81.6	57.4	67.0	38.7	37.4
Lease liabilities	5.8	3.9	4.7	4.6	4.6
Other financial liabilities	17.3	14.5	14.2	13.7	17.0
Other current liabilities	8.3	16.8	18.7	15.5	16.3
Provisions	1.9	1.3	2.7	2.2	3.0
Current tax liabilities (net)	-	1.3	1.5	-	0.1
	405.5	338.2	290.1	284.2	253.4
Liabilities of a disposal group classified as held for sale	-	13.6	-	-	-
Total current liabilities	405.5	351.8	290.1	284.2	253.4
TOTAL EQUITY AND LIABILITIES	831.0	751.6	758.6	717.5	771.0

Source: Company RHP

Restated Consolidated Statement of Profit and Loss

Particulars (Rs cr)	FY20	FY21	FY22	H1FY22	H1FY23
Income					
Revenue from operations	521.6	418.0	453.9	159.2	224.1
Other income	1.6	3.6	2.8	1.3	1.7
Total income	523.2	421.5	456.7	160.5	225.8
Expenses					
Cost of materials consumed	109.3	66.9	111.4	21.3	20.6
Excise duty	36.4	32.0	29.5	11.9	11.8
Purchase of stock-in-trade	132.5	75.2	20.4	7.2	11.7
Changes in inventories of finished goods, stock-in-trade and work-in-progress	-14.3	15.4	-14.7	11.9	16.5
Employee benefits expense	65.7	55.5	65.3	30.3	37.1
Selling, distribution and marketing expense	52.5	46.7	44.5	16.0	24.6
Other expenses	90.6	65.3	84.1	31.9	39.2
Total expenses	472.7	357.0	340.6	130.4	161.5
Restated Earnings Before Interest, Tax, Depreciation, Amortisation, Impairment and Exceptional item (EBITDAE)	50.5	64.5	116.1	30.1	64.3
Finance costs	32.9	33.4	22.9	12.7	10.5
Depreciation, amortisation and impairment expense	35.0	25.7	23.6	11.7	12.6
Restated profit/ (loss) before tax and exceptional item	-17.4	5.4	69.5	5.6	41.3
Exceptional item	-	-2.2	-	-	-
Restated profit/(loss) before tax	-17.4	3.2	69.5	5.6	41.3
Tax expense/ (credit)					
Current tax	0.4	1.6	16.5	2.3	11.3
Deferred tax	-1.9	-1.5	0.8	-1.2	-0.6
	-1.5	0.2	17.4	1.1	10.7
Restated net profit/ (loss) for the period/ year (A)	-15.9	3.0	52.1	4.5	30.5
Restated other comprehensive loss for the period/ year (B)	-0.3	-0.3	-0.1	-0.8	-0.2
Restated total comprehensive income/ (loss) for the period/ year (A+B)	-16.3	2.7	52.0	3.7	30.3
Earnings per equity share of nominal value of Rs 2 each	-2.1	0.4	6.8	0.6	3.8

Source: Company RHP

Restated Consolidated Statement of Cash Flows

Particulars (Rs cr)	FY20	FY21	FY22	H1FY22	H1FY23
Net cash from operating activities	44.7	119.5	87.4	15.4	26.3
Net cash used in investing activities	-44.0	-21.7	-56.8	-23.7	-19.7
Net cash used in financing activities	33.4	-94.5	-61.3	-16.6	-3.1
Net increase / (decrease) in Cash and cash equivalents	34.0	3.4	-30.6	-24.9	3.5
Cash and cash equivalents at the beginning of the period / year	3.4	37.5	40.8	40.8	10.2
Cash and cash equivalents at the end of the period / year	37.5	40.8	10.2	15.9	13.7

Source: Company RHP

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ADD	– We expect the stock to deliver 5% - 15% returns over the next 12 months
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