

SULA VINEYARDS LIMITED

IPO NOTE



OVERVIEW

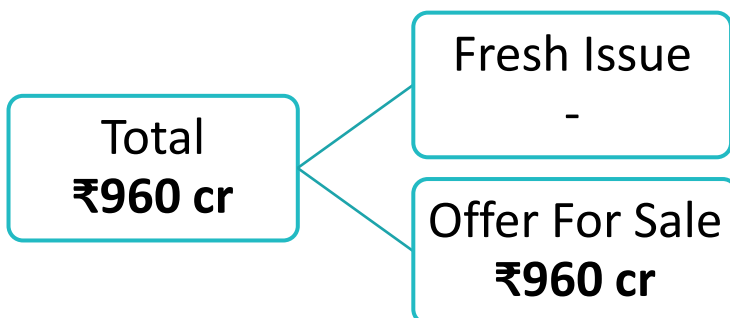
Sula Vineyards was incorporated in 2003, the India's largest wine producer and seller. The company distributes wines under a bouquet of popular brands with its flagship brand, Sula being the category creator of wine in India. Currently, it produces 56 different labels of wines across 13 distinct brands at its four self owned and two leased production facilities located in Maharashtra and Karnataka. The business model can be classified into two categories: the wine business (the production, import and distribution of wines and spirits) and wine tourism (sale of service from ownership and operations of wine tourism venues).

FINANCIAL HIGHLIGHTS

Particulars	FY20	FY21	FY22
Revenue from Operations	522	418	454
EBITDA	51	65	116
Net Profit	(16)	3	52

₹ crore

ISSUE SIZE



ISSUE DETAILS

Issue Date	12 th Dec'22-14 th Dec'22
Price Band	₹340-₹357
Bid Lot	42 Shares
Issue Size	₹960 cr
No. of Shares (Post Issue)	8.4 cr
Post-Issue Implied Market Cap*	₹3,005.9 cr
P/E Ratio (FY22)*	57.8x

* At upper price band

ABOUT THE COMPANY

- The company distributes wines under a bouquet of popular **brands**. In addition, to the flagship brand, “Sula”, popular brands include “RASA”, “DINDORI”. The company serviced close to 8,000 hotels, restaurants and caterers which makes it a leader in terms of footprint among wine players in India.
- They are the pioneers of **wine tourism** in India. As part of their wine tourism business, they own and operate two vineyard resorts located at and adjacent to their winery in Nashik and Maharashtra, under “The Source at Sula” and “Beyond by Sula” brand names having room capacities of 57 and 10 rooms as on 30th September 2022, respectively.
- Their business comprise of **two product portfolio**: i) Still wine, a wine that is neither sparkling nor fortified. It constituted 85.38% of the total production as on 30th September 2022 with 15 labels under the elite category, 22 labels each under the premium & economy categories and 9 labels under the popular category, ii) Sparkling Wine, a wine that contains bubbles from dissolved carbon dioxide. It constituted 14.62% of the total production as on 30th September 2022 with 6 labels under the elite category and 2 labels each under premium and economy categories.



The SULA range of Wines



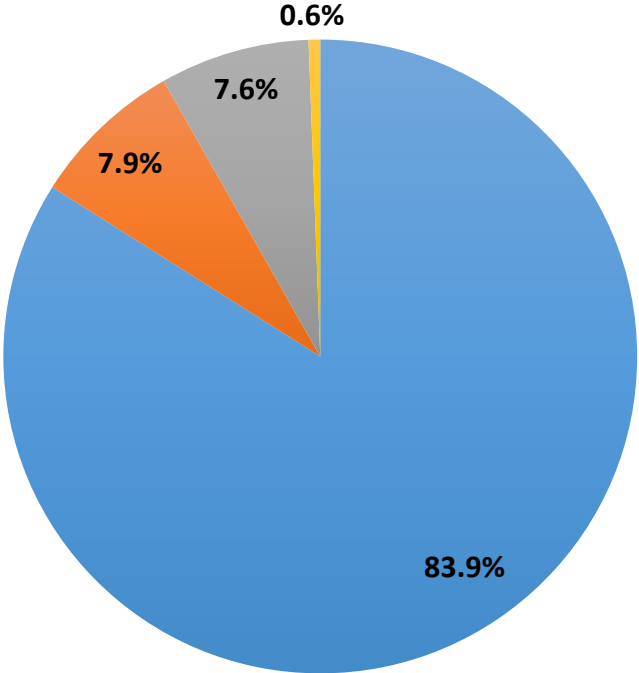
The Dindori range of Wines



The RASA range of Wines

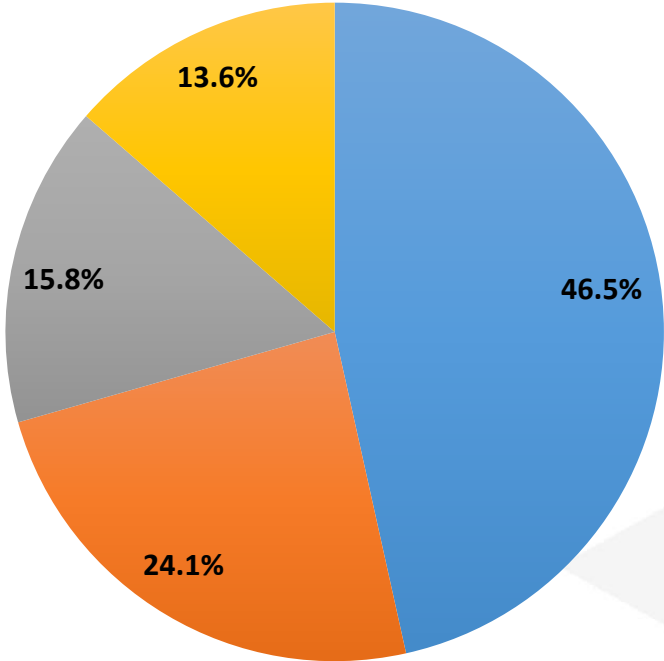
ABOUT THE COMPANY

Segmental Revenue



- Wine Business - Own Brands
- Wine Business - Imports
- Wine Tourism Business
- Others

Revenue from Own Wine brands

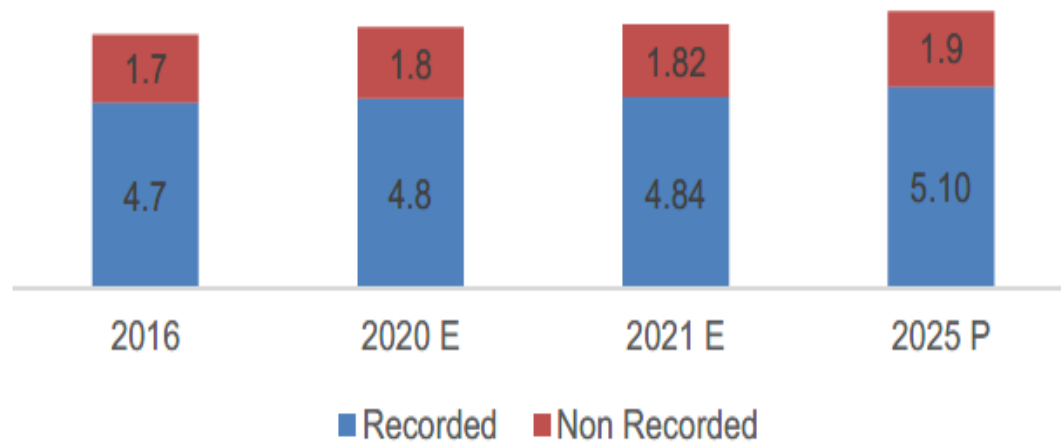


- Premium
- Elite
- Popular
- Economy

SECTOR OUTLOOK

- The **global alcohol consumption** is captured by WHO as total alcohol per capita consumption in litres of pure alcohol per person per year and alcohol consumption in grams of pure alcohol per person per day. Alcohol consumption is further divided into recorded data and unrecorded data. Recorded data is alcohol sales captured through excise department in most countries. World per capita alcohol consumption in CY21 is estimated at 6.6 liters.
- There are three **major categories of alcoholic beverages** with varying trends across countries i.e., Spirits, Beer and Wine. The consumption has matured in developed countries but its still going through a transition in developing countries. An overall comparison shows that beer is the largest category in terms of actual volumes consumed.

WORLD PER CAPITA ALCOHOL CONSUMPTION FOR CY (litres)



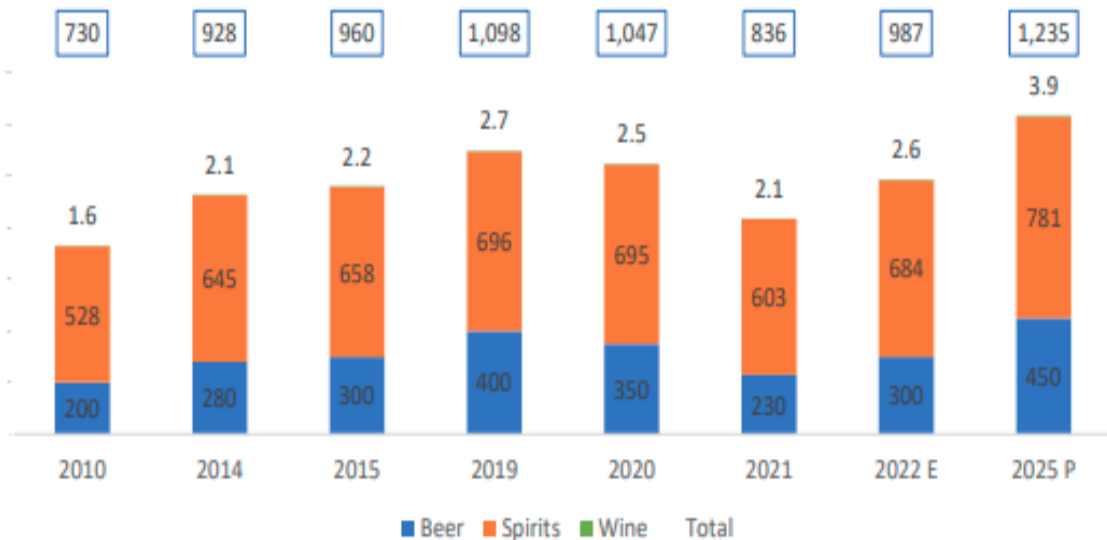
PER CAPITA CONSUMPTION OF ALCO-BEVERAGES (CY21)



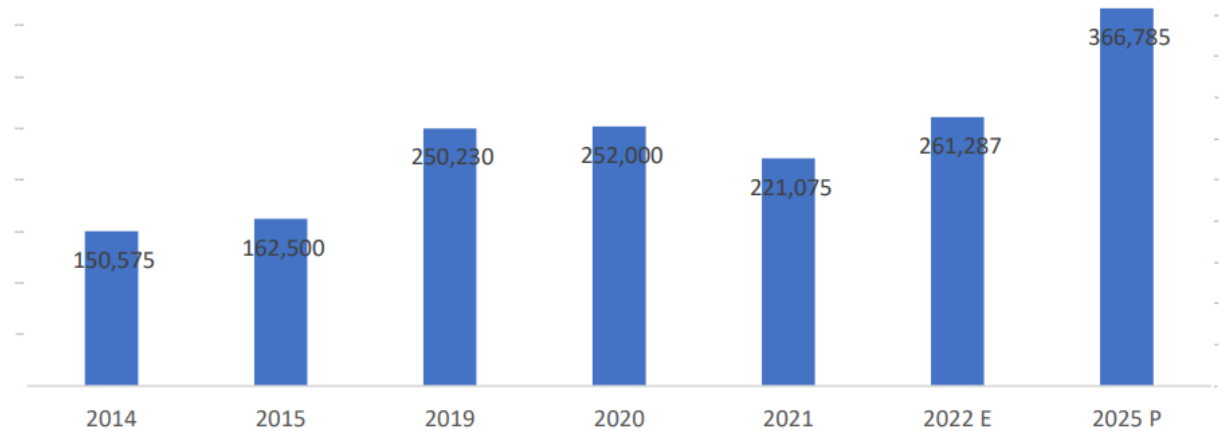
SECTOR OUTLOOK

- High alcohol content spirits have dominated the Indian alcohol market. A **volume-based analysis** shows that alcohol beverage market in India is equally divided between country liquor, Indian made foreign liquor (IMFL) and beer with a small contribution from wines and imported spirits. Beer and wine are poised to drive growth for the alco-beverage market. The industry is expected to cross 120 crore cases in volume by 2025.
- India's **per capita consumption of wine** is less than 100 ml. The contribution of wine to overall alcohol consumption in India is less than 1% against the world average of close to 13%. 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.

ALCO-BEVERAGE CONSUMPTION IN INDIA (million cases)



INDIAN ALCO-BEVERAGE MARKET (INR crore)



COMPETITIVE LANDSCAPE

DIAGEO

UNITED SPIRITS LIMITED

- Market Cap: ₹68,152 cr
- Revenue: ₹31,062 cr
- EBITDA Margin: 4.8%
- PAT margin: 2.6%
- RONW: 16.7%
- P/E: 52.2x



UNITED BREWERIES LIMITED

- Market Cap: ₹46,957 cr
- Revenue: ₹13,124 cr
- EBITDA Margin: 5.5%
- PAT margin: 2.8%
- RONW: 9.3%
- P/E: 85.2x



RADICO KHAITAN LIMITED

- Market Cap: ₹14,545 cr
- Revenue: ₹12,471 cr
- EBITDA Margin: 3.3%
- PAT margin: 2.1%
- RONW: 13.2%
- P/E: 59.2x



SULA VINEYARDS LIMITED

- Market Cap: ₹3,006 cr
- Revenue: ₹454 cr
- EBITDA Margin: 25.6%
- PAT margin: 11.5%
- RONW: 11.5%
- P/E: 57.8x

RISK FACTORS

- The **Indian wine market** is relatively young, facing imminent challenges as consumption of alcohol and spirits in particular, is highly prominent with regards to wine consumption in India. In addition, India does not have a strong wine drinking culture unlike in European countries where it is paired with meals. Wine drinking culture in India is an occasion-led event.
- Both **direct and indirect advertising** of alcohol is prohibited in India, and it can be advertised only at point of sale. New brands generally take time to be recognized and earn the trust of the consumers. However, the inability to launch national advertising campaigns is detrimental to the development of any business in the alcoholic beverage industry.
- The company benefit from high **import duties** imposed on imports of international wines in India. However, these duties cannot be reduced or eliminated going forward, adversely affecting the wine business.

PROMOTER BACKGROUND AND SHAREHOLDING

The promoter of the company along with the promoter group holds a total of 28.44% and their shareholding is as follows:

- **Rajeev Samant (27.15%)**
- **Confintra S.A. (8.54%)**
- **Verlinvest S.A. (8.54%)**
- **Verlinvest France S.A (7.81%)**

Mia Samant and **RASA Holdings** are the members of the promoter group with a holding of 1.3%.

Shareholding	Pre IPO	Post IPO
Promoter & Group	28.4%	27.3%
Public	71.6%	72.7%
Total	100%	100%

Allocation of offer	Share in Issue (₹ crore)	% of Issue
QIB	480	50%
NIB	144	15%
Retail	336	35%
Total	960	100%

Major Selling Shareholders	Shareholding % Pre Issue	Shareholding % Post Issue	Share in Issue (₹ crore)	% of OFS Issue
Confintra S.A.	8.5%	-	257	8.5%
Verlinvest S.A.	8.5%	-	257	8.5%
Verlinvest France S.A.	7.8%	-	235	7.8%
Ruta M. Samant	5.3%	2.92%	72	2.4%

STATEMENT OF PROFIT AND LOSS

Particulars	Data for the period (₹ crore)			Data for six months period
	2020	2021	2022	30 th Sep 2022
Revenue From Operations	521	418	454	224
Other Income	2	4	3	2
Total Income (I)	523	422	457	226
Cost of materials, Purchase of stock, Changes in inventory & WIP	264	190	147	61
Employee Benefit Expenses	66	55	65	37
Finance Costs	33	33	23	10
Depreciation and Amortization Expenses	35	26	24	13
Selling, Distribution & Marketing Expenses	52	47	45	25
Other Expenses	91	68	84	39
Total Expenses (II)	541	418	387	185
Profit/(Loss) Before Tax (I-II)	(15)	3	70	41
Total Tax Expense and Exceptional Items (III)	(1)	0	17	11
Net Profit/(Loss) for the Period (I-II-III)	(16)	3	52	31

STATEMENT OF ASSETS AND LIABILITIES

Particulars	Data as on 31 st March (₹ crore)			Data as on
	2020	2021	2022	30 th Sep 2022
Property, Plant, Equipment & Capital work-in-progress	326	304	345	353
Right to Use Assets	24	13	9	11
Intangible assets	5	1	8	7
Inventories	171	144	162	147
Trade Receivables	152	124	109	103
Cash & Cash Equivalents	40	52	20	23
Other Assets	113	114	105	128
Total Assets	831	752	759	771
Total Equity	302	305	395	449
Borrowings (current and non-current)	368	301	229	215
Non-Current Liabilities	44	36	25	27
Trade Payables	83	58	67	39
Other Liabilities (current and non-current)	33	51	42	41
Total Liabilities and Equity	831	752	759	771

STATEMENT OF CASH FLOW

Particulars	Data for the year ended 31 st March (₹ crore)			Data for the six months ended
	2020	2021	2022	30 th Sep 2022
Net cash generated from / (used in) operating activities (A)	45	120	87	26
Net cash generated from / (used in) investing activities (B)	(44)	(22)	(57)	(20)
Net cash generated from / (used in) financing activities (C)	33	(95)	(61)	(3)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	34	3	(31)	4

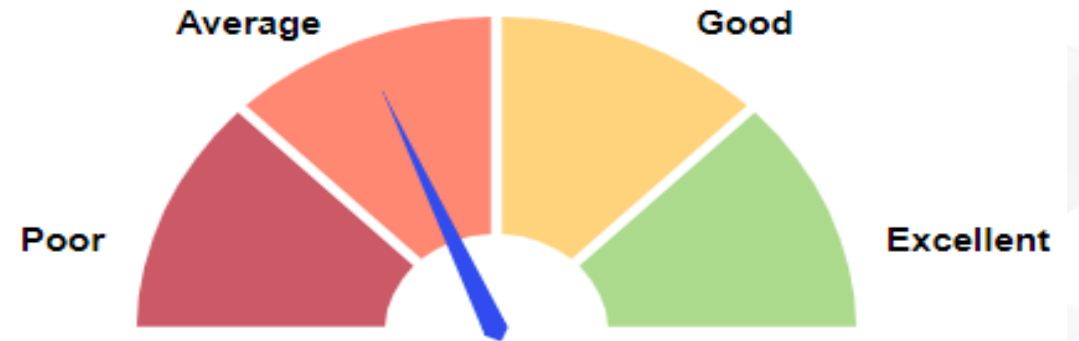
KEY METRICS

Particulars	Data for the year ended 31 st March			Data for six months ended
	2020	2021	2022	30 th Sep 2022
EBITDA (₹ crore)	51	65	116	64
EBITDA Margin	9.7%	15.4%	25.6%	28.7%
PAT Margin	(3.1)%	0.7%	11.5%	13.6%
Return on Capital Employed	4.1%	10.7%	20.8%	-
Return on Net Worth	(4.6)%	0.9%	11.5%	6.2%
Debt to Equity Ratio	1.2	1.0	0.6	0.5

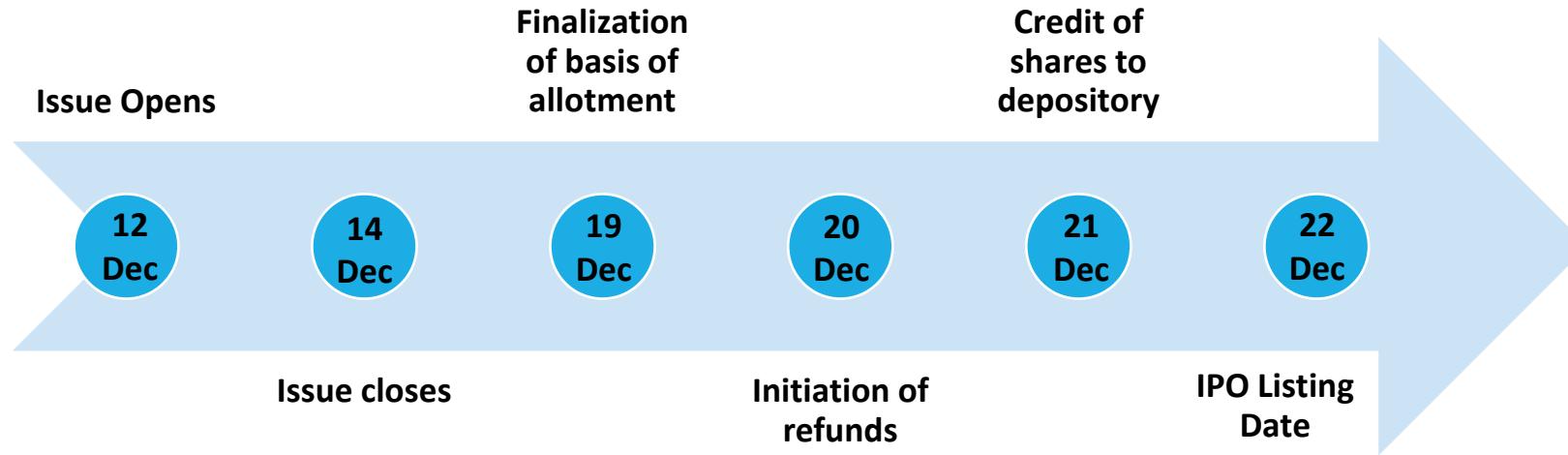
SWOT ANALYSIS



- Sula Vineyards Ltd is a **market leader** in the Indian domestic wine industry with a market share of more than 52% in FY22. The company has been a consistent market leader in terms of sales volume as well as value.
- The company benefits from high **import duties** imposed on imports of international wines in India.
- It has a **strong direct to consumer (D2C)** selling channel primarily through its wine tourism business. Its products are available over various e-commerce platforms which would further help to increase its D2C footprint.



TIMELINES



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