

Sula Vineyards Ltd



Improving taste for wine to drive revenue growth



Kyon ki bhaiya, sabse bada rupaiya.



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Improving taste for wine to drive revenue growth

Incorporated in 2003, Sula Vineyards Ltd (SULA) is India's largest wine producer and seller. The company distributes wines under a bouquet of popular brands including RASA, Dindori, The Source, Satori, Madera and Dia, with its flagship brand SULA being the category creator of wine in India. The company's business is broadly classified under two categories

- Wine business – The production, sales and distribution of wines and spirits,
- Wine tourism business – Resort in Nashik at Sula Vineyard and the sale of F&B and liquor at resorts.

SULA produces 56 different labels of wine at its 4 owned and 2 leased production facilities located in Maharashtra (12.7 mn litres per annum capacity) & Karnataka (1.8 mn litres per annum capacity). With access to 23,000+ points of sale (including 13,500+ retail touchpoints and 9,000+ hotels & restaurants), SULA has a presence in 25 states & 6 UTs in India. The company entered the overseas markets in 2003, and currently offers its wines in 20+ countries, including Spain, France, Japan, the UK, and the US. Furthermore, SULA is among the Top-10 most followed vineyards globally on social media, with 1,18,000+ followers on Instagram, 1,23,000+ likes on Facebook and 14,000+ followers on Twitter (as on Sept 30, 2022).

The wine market in India will continue to remain concentrated with high barriers to entry due to the nature of the product. A wine producer must sign a long-term contract with grape growers and must maintain inventories for the ageing of wines. SULA has rich experience in wine production & ageing and has entered long-term supply arrangements (of up to 12 years) with farmers for 2,290+ acres for grape sourcing.

Over FY20-22, SULA's total revenue declined at a CAGR of 6.7% to INR 454 cr on account of a 53.0% CAGR decline in 3rd party brand revenue to INR 36 cr in FY22. The management took the conscious decision to reduce the sale of non-profitable 3rd party brands resulting in a decrease in the segmental revenue. SULA is expected to fill this lost revenue from 3rd party brands with its own brands, which is expected to accelerate its revenues from wines.

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	Net Profit	EBITDA (%)	Net (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	P/BV (X)	EV/EBITDA (X)
FY21	418.0	61.0	2.5	14.6	0.6	0.3	36.2	0.8	6.4	1193.3	9.9	53.4
FY22	453.9	113.3	52.0	25.0	11.5	6.2	46.9	13.2	14.8	57.8	7.6	28.4
FY23E	548.1	149.2	76.4	27.2	13.9	9.1	54.7	16.6	17.2	39.4	6.5	21.8
FY24E	653.7	179.6	94.5	27.5	14.5	11.2	64.1	17.5	18.3	31.8	5.6	18.3
FY25E	764.6	211.9	115.2	27.7	15.1	13.7	75.4	18.1	19.3	26.1	4.7	15.6

Industry	Beverage
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Issue Details

Listing	BSE & NSE
Open Date	12 th Dec 2022
Close Date	14 th Dec 2022
Price Band	INR 340-357
Face Value	INR 2
Market Lot	42 shares
Minimum Lot	1 Lot

Issue Structure

Offer for Sale	100%
Fresh Issue	0%
Issue Size (Amt)	INR 960 cr
Issue Size (Shares)	26,900,530
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35%
Pre issue sh (nos)	84,198,748
Post issue sh (nos)	84,198,748
Post issue M Cap	INR 3,006 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	27.2	26.0
Promoter Group	1.3	1.3
Public	71.5	72.7
TOTAL	100	100



During FY20-22, SULA’s own brand revenue grew at a CAGR of 7.2% to INR 381 cr, which was primarily driven by

- 9.3% CAGR growth in elite & premium wine revenue to INR 269 cr due to
 - 6.0% CAGR growth in the segmental sales volumes to 4.0 mn litres and
 - 3.1% CAGR growth in ASP to INR 674/litre.
- 2.5% CAGR growth in economy & popular wine revenue to INR 112 cr due to
 - 1.0% CAGR decline in the segmental sales volumes to 4.1 mn litres and
 - 3.5% CAGR growth in ASP to INR 276/litre.

SULA’s wine tourism business recorded a strong recovery and reported a revenue CAGR of 11.7% to INR 59 cr during FY20-22 due to an increase in the occupancy rate from 66.5% in FY19 to 71.0% in FY22 and a rise in ARPOB from INR 8,759 in FY19 to INR 10,367 in FY22. An increase in occupancy and a rise in ARPOB resulted in a 35.0% CAGR growth in room revenue to INR 17 cr. Resorts F&B income too increased at a CAGR of 5.2% to INR 42 cr in FY22.

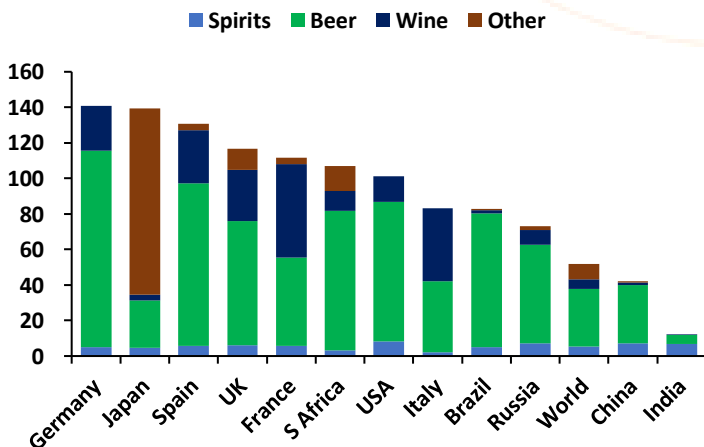
The company’s EBITDA grew at a CAGR of 16.6% to INR 187 cr while EBITDA margins improved by 1486bps to 41.3% in FY22. Similarly, PAT reported a profit of INR 52 cr, compared to a loss of INR 13 cr reported in FY19, while PAT margins improved by 1399bps to 11.5% in FY22.

Lower per capita consumption of liquor in India offers significant headroom for growth

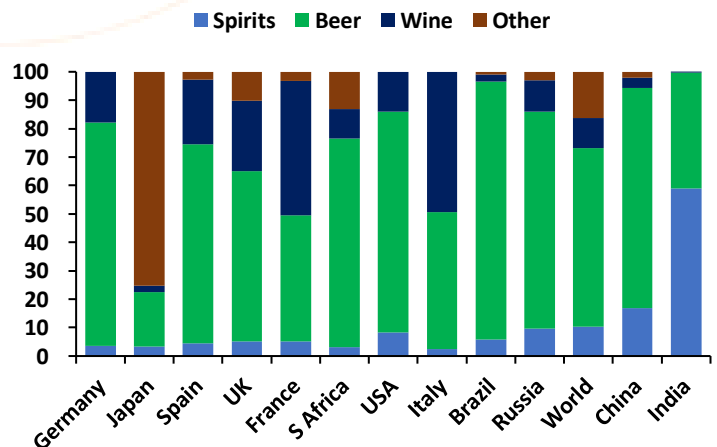
Though the per capita consumption of spirits in India is 11.75 litres (CY21), wine accounts for only 0.04 litres, which is 0.34% of the overall alcohol-based beverage consumption. The share of wine in India is substantially lower than the share of 49.5% in Italy, 47.3% in France, 24.8% in the UK, 22.8% in Spain, 17.9% in Germany, 14.0% in the US, 11.0% in Russia, 10.4% in South Africa, 3.7% in China and 2.2% in Japan.

India has a significantly lower per capita alcohol consumption

Per capital liquor consumption (in liters)



Share of per capita liquor consumption (%)



Source: Company Reports



Lower penetration of wines in India offers a significant growth opportunity to the Indian wine industry due to

- **Growing awareness about wines and the growing perception of its health benefits**
 - Increase in the number of Indians travelling abroad and the emergence of novel F&B formats leading to an increase in awareness of wines.
 - Emergence of a consumer class that appreciates wine for its healthier connotation and as a discerning choice of taste.
- **Wider appeal across consumer demographics**
 - Wine has been gaining status as a preferred drink at office parties due to its mature taste and flavour.
 - Unlike other alcohol-based beverages, wine has become a regular category to stock and consume at home with family.
- **Favourable regulations**
 - Maharashtra government announced a Grape Policy which incorporates incentives such as the reduction in excise duty on wines, regulation for quality control, certification, and export promotion. The Wine Institute is set up to ensure international quality and provide trained manpower.
 - Karnataka government identified the areas that are suitable for growing different grape varieties, required to produce good quality wines.

H1FY23 Performance: Post-pandemic strong recovery

SULA reported a strong recovery in its business in H1FY23. The overall revenue grew at a YoY rate of 40.8% to INR 224 cr and it was mainly driven by

- **39.8% YoY growth in the wine business revenue to INR 203 cr due to**
 - **45.4% YoY growth in the revenues from own brands to INR 192 cr due to**
 - **47.2% YoY growth in elite & premium wine revenues to INR 135 cr due to 39.4% YoY growth in volumes to 1.9 mn litres and 5.6% CAGR growth in ASP to INR 701/litre.**
 - **41.4% YoY growth in economy & popular wine revenues to INR 56 cr due to 42.4% CAGR growth in volumes to 2.1 mn litres and a marginal YoY decline of 0.7% in ASP to INR 275/litre**
- **83.6% YoY growth in the revenues of the wine tourism business to INR 36 cr**
 - **6.1% CAGR growth in the revenues from rooms to INR 9 cr due to the rise in occupancy from 55.7% in H1FY22 to 77.4% in H1FY23 and 0.3% YOY decline in ARPOB to INR 10,195.**
 - **147.9% CAGR growth in resort income (F&B and liquor) to INR 26 cr.**

3rd party brands revenue declined at a YoY rate of 14.5% to INR 12 cr due to the lower focus on 3rd party brands and higher focus on own brands.



EBITDA and net profit grew at a YoY rate of 117.8% to INR 63 cr and 721.0% to INR 30 cr, while EBITDA and net margins improved by 988bps to 27.9% and 1120bps to 13.5% respectively during H1FY23.

FY22-25E Performance: Strong sector outlook is expected to drive financial performance

Being a market leader and a well-established brand name, SULA is expected to benefit from the rising consumption of wines in India. We are expecting revenues to grow at a CAGR of 29.8% to INR 765 cr in FY25 due to

- **19.8% CAGR growth in the wine business revenue to INR 716 cr due to**
 - **19.9% CAGR growth in the revenues of own brands to INR 657 cr due to**
 - **20.1% CAGR growth in elite & premium wine revenues to INR 466 cr due to 14.8% CAGR growth in volumes to 6.0 mn litres and 4.6% CAGR growth in ASP to INR 773/litre.**
 - **19.5% CAGR growth in economy & popular wine revenues to INR 191 cr due to 15.8% CAGR growth in volumes to 6.3 mn litres and 3.2% CAGR growth in ASP to INR 304/litre**
 - **18.1% CAGR growth in the revenues of 3rd party brands to INR 59 cr**
- **14.7% CAGR growth in the revenues of the wine tourism business to INR 89 cr**
 - **13.2% CAGR growth in the revenues from rooms to INR 25 cr due to the rise in occupancy from 71.0% in FY22 to 80% in FY25 and 6.7% CAGR growth in ARPOB to INR 12,600.**
 - **15.3% CAGR growth in resort income (F&B and liquor) to INR 64 cr**

EBITDA and net profit are expected to grow at a CAGR of 36.8% and 48.9% to INR 212 cr and INR 115 cr, respectively. EBITDA and net margins are expected to improve by 276bps to 27.7% and 362bps to 15.1%, respectively.

SULA's proposed OFS size is INR 960 cr. The promoters are selling 9,37,203 shares, which will reduce the promoter stake from 28.4% (pre-issue) to 27.3% (post-issue). Institutions are selling 21,971,700 shares while individual investors are selling 39,91,627 shares.

At the IPO price of INR 357 (upper price band), SULA is valued at FY25 P/E of 26.1X, which is significantly lower than the FY25 valuations of United Spirits Ltd (45.9X) and United Breweries Ltd (45.6X). Considering the long-term growth opportunities in the Indian wine industry and the strong fundamentals of SULA, we recommend a SUBSCRIBE rating.



Our Bull and Bear Case Scenarios

We have prepared likely Bull and Bear case scenarios for FY25 price, based on revenue growth, net margins and P/E multiples.

SULA bull, bear and base case scenario

FY25 assumptions	Bull case	Base case	Bear case
Revenue (INR cr)	800.0	764.6	700.0
Net margin (%)	15.1	15.1	12.0
Net Profit (INR cr)	120.6	115.2	84.0
EPS (INR)	14.3	13.7	10.0
Target P/E (X)	40	30	20
Target Price (INR)	573	411	200
Upside from IPO price (%)	60.5%	15.0%	-44.1%



Bull Case Price

INR 573 per share

Target Price

INR 411 per share

Current Price

INR 357 per share

Bear Case Price

INR 200 per share

Source: Ventura Research



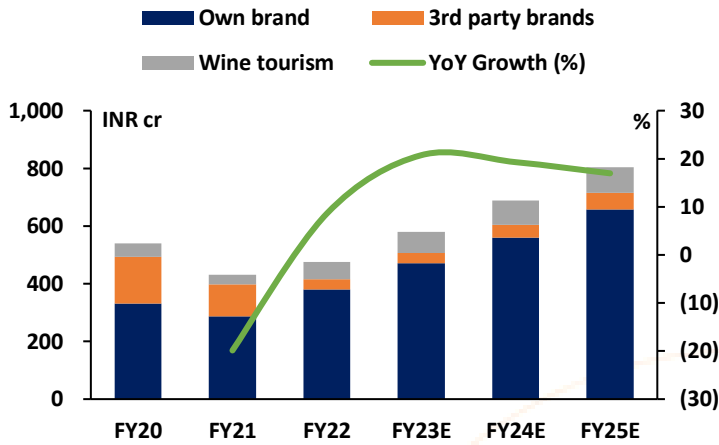
SULA Financial Summary

Fig in INR Cr (unless specified)	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E
Own brand	331.6	287.3	380.9	471.6	558.8	657.3	764.2	880.2	1,005.9	1,142.0	1,289.1	1,448.1	1,619.8
Elite & Premium Vol (mn litres)	3.5	3.0	4.0	4.8	5.4	6.0	6.7	7.3	7.9	8.6	9.2	9.8	10.4
Elite & Premium ASP (INR)	634.4	662.3	674.4	700.9	736.0	772.8	811.4	852.0	894.6	939.3	986.3	1,035.6	1,087.4
Elite & Premium Revenue	224.9	197.0	268.8	335.8	397.4	466.0	540.4	621.1	708.5	803.1	905.4	1,015.9	1,135.2
Economy & Popular Vol (mn litres)	4.1	3.5	4.1	4.9	5.6	6.3	7.0	7.7	8.5	9.2	9.9	10.6	11.3
Economy & Popular ASP (INR)	258.1	259.4	276.3	275.4	289.2	303.7	318.8	334.8	351.5	369.1	387.6	406.9	427.3
Economy & Popular Revenue	106.7	90.3	112.1	135.7	161.4	191.3	223.8	259.1	297.4	338.8	383.7	432.2	484.5
3rd party brands and distribution	161.5	111.1	35.7	34.1	44.8	58.8	74.1	90.8	109.0	128.7	150.2	173.4	198.7
Wine business revenue	493.1	398.4	416.6	505.7	603.6	716.1	838.4	971.0	1,114.9	1,270.7	1,439.3	1,621.5	1,818.4
Room revenue	9.3	8.8	17.0	20.1	23.5	24.7	25.9	27.2	28.5	30.0	31.5	33.0	34.7
Number of rooms	67	67	67	67	67	67	67	67	67	67	67	67	67
Avg occupancy rate (%)	66.5	43.7	71.0	78.7	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0	80.0
ARPOB (INR)	8,759	9,044	10,367	10,425	12,000	12,600	13,230	13,892	14,586	15,315	16,081	16,885	17,729
Resort income - F&B and liquor revenue	37.8	23.3	41.8	54.1	61.0	64.1	67.3	70.7	74.2	77.9	81.8	85.9	90.2
Wine tourism business revenue	47.1	32.1	58.8	74.2	84.5	88.7	93.2	97.8	102.7	107.9	113.3	118.9	124.9
Less: Intersegment revenue	-18.6	-12.6	-21.5	-31.8	-34.4	-40.2	-46.6	-53.4	-60.9	-68.9	-77.6	-87.0	-97.2
Revenue from operations	521.6	418.0	453.9	548.1	653.7	764.6	885.0	1,015.4	1,156.7	1,309.6	1,474.9	1,653.4	1,846.2
YoY Growth (%)		-19.9	8.6	20.7	19.3	17.0	15.7	14.7	13.9	13.2	12.6	12.1	11.7
Raw Material Cost	227.5	157.5	117.1	120.6	143.8	168.2	194.7	223.4	254.5	288.1	324.5	363.8	406.2
RM Cost to Sales (%)	43.6	37.7	25.8	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0	22.0
Employee Cost	65.7	55.5	65.3	87.7	104.3	121.6	140.3	160.4	182.2	205.6	230.8	257.9	287.1
Employee Cost to Sales (%)	12.6	13.3	14.4	16.0	16.0	15.9	15.9	15.8	15.8	15.7	15.7	15.6	15.6
Other Expenses	179.5	144.0	158.1	190.6	226.1	262.9	302.5	345.1	390.8	439.8	492.3	548.6	608.9
Other Expenses to Sales (%)	34.4	34.5	34.8	34.8	34.6	34.4	34.2	34.0	33.8	33.6	33.4	33.2	33.0
EBITDA	48.9	61.0	113.3	149.2	179.6	211.9	247.5	286.5	329.3	376.1	427.3	483.1	544.0
EBITDA Margin (%)	9.4	14.6	25.0	27.2	27.5	27.7	28.0	28.2	28.5	28.7	29.0	29.2	29.5
Net Profit	-13.2	2.5	52.0	76.4	94.5	115.2	139.9	165.4	194.6	227.3	263.9	304.8	350.5
Net Margin (%)	-2.5	0.6	11.5	13.9	14.5	15.1	15.8	16.3	16.8	17.4	17.9	18.4	19.0
Adjusted EPS	-1.6	0.3	6.2	9.1	11.2	13.7	16.6	19.6	23.1	27.0	31.3	36.2	41.6
P/E (X)	-226.9	1,193.3	57.8	39.4	31.8	26.1	21.5	18.2	15.4	13.2	11.4	9.9	8.6
Adjusted BVPS	35.6	36.2	46.9	54.7	64.1	75.4	89.1	105.0	123.5	144.8	169.2	197.1	228.8
P/BV (X)	10.0	9.9	7.6	6.5	5.6	4.7	4.0	3.4	2.9	2.5	2.1	1.8	1.6
Enterprise Value	3,333.8	3,255.4	3,215.2	3,257.3	3,282.7	3,298.1	3,304.9	3,300.4	3,282.6	3,249.6	3,199.3	3,129.4	3,037.7
EV/EBITDA (X)	68.1	53.4	28.4	21.8	18.3	15.6	13.4	11.5	10.0	8.6	7.5	6.5	5.6
Net Worth	299.9	304.7	395.3	460.2	539.6	635.2	749.9	883.9	1,039.6	1,219.2	1,425.0	1,659.7	1,926.0
Return on Equity (%)	-4.4	0.8	13.2	16.6	17.5	18.1	18.7	18.7	18.7	18.6	18.5	18.4	18.2
Capital Employed	668.2	606.0	624.2	736.6	836.0	948.5	1,078.2	1,224.7	1,372.4	1,533.1	1,707.8	1,897.5	2,103.1
Return on Capital Employed (%)	1.9	5.5	10.8	12.4	13.4	14.1	14.8	15.2	15.6	16.0	16.4	16.8	17.1
Invested Capital	627.8	554.2	604.6	711.5	816.4	927.5	1,048.9	1,178.5	1,316.3	1,462.8	1,618.3	1,783.2	1,957.9
Return on Invested Capital (%)	2.2	6.4	14.8	17.2	18.3	19.3	20.3	21.1	21.8	22.5	23.2	23.9	24.5
Cash Flow from Operations	44.7	119.5	87.4	49.3	78.9	101.3	125.0	149.3	176.1	204.9	236.4	270.9	308.6
Cash Flow from Investing	-44.0	-21.7	-56.8	-59.4	-66.1	-72.5	-80.7	-86.5	-92.3	-98.3	-104.4	-110.7	-117.1
Cash Flow from Financing	33.3	-94.5	-61.3	13.7	-20.5	-29.7	-38.6	-48.5	-76.9	-95.5	-116.2	-139.1	-164.6
Net Cash Flow	34.0	3.4	-30.6	3.6	-7.7	-0.9	5.7	14.3	6.9	11.1	15.8	21.1	26.9
Free Cash Flow		74.7	49.8	-1.9	23.7	40.4	57.0	76.6	98.6	123.2	150.7	181.3	215.1
FCF to Revenue (%)		17.9	11.0	-0.3	3.6	5.3	6.4	7.5	8.5	9.4	10.2	11.0	11.7
CFO to EBITDA (%)	91.3	196.1	77.2	33.1	43.9	47.8	50.5	52.1	53.5	54.5	55.3	56.1	56.7
FCF to Net Profit (%)		2,964.1	95.8	-2.4	25.0	35.0	40.7	46.3	50.7	54.2	57.1	59.5	61.4
FCF to Net Worth (%)		24.5	12.6	-0.4	4.4	6.4	7.6	8.7	9.5	10.1	10.6	10.9	11.2
Total Debt	368.2	301.3	228.9	276.5	296.4	313.3	328.2	340.8	332.8	313.9	282.9	237.8	177.0
Net Debt	327.9	249.5	209.3	251.4	276.8	292.2	299.0	294.5	276.7	243.7	193.4	123.5	31.8
Net Debt to Equity (X)	1.1	0.8	0.5	0.5	0.5	0.5	0.4	0.3	0.3	0.2	0.1	0.1	0.0
Net Debt to EBITDA (X)	6.7	4.1	1.8	1.7	1.5	1.4	1.2	1.0	0.8	0.6	0.5	0.3	0.1
Interest Coverage Ratio (X)	0.4	1.1	3.9	5.5	5.9	6.6	7.5	8.4	9.6	11.3	13.9	17.7	24.4

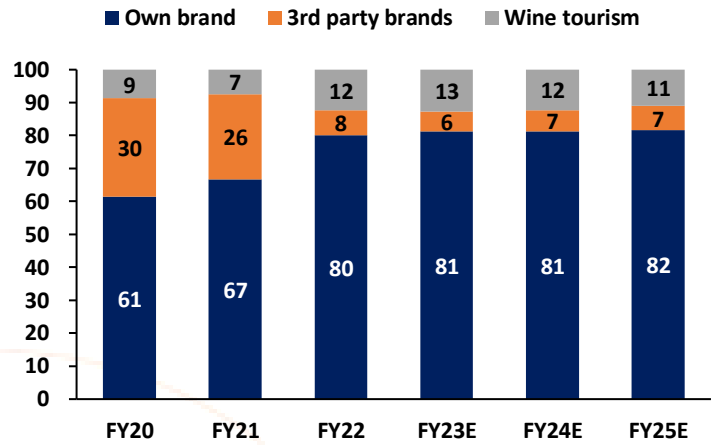
Source: Company Reports and Ventura Research



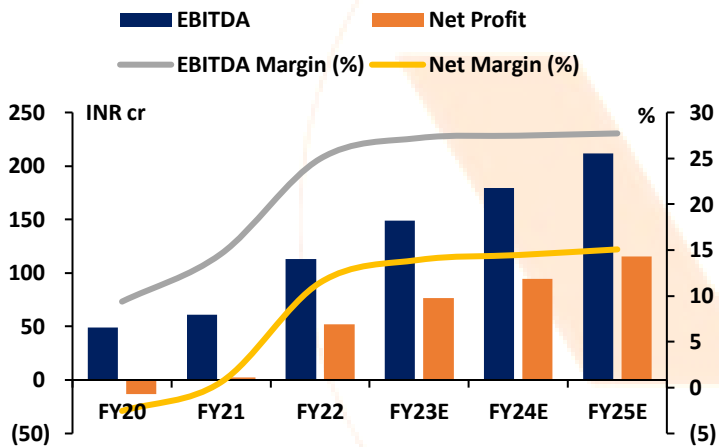
Post pandemic strong recovery and improving acceptance of wines to drive revenue



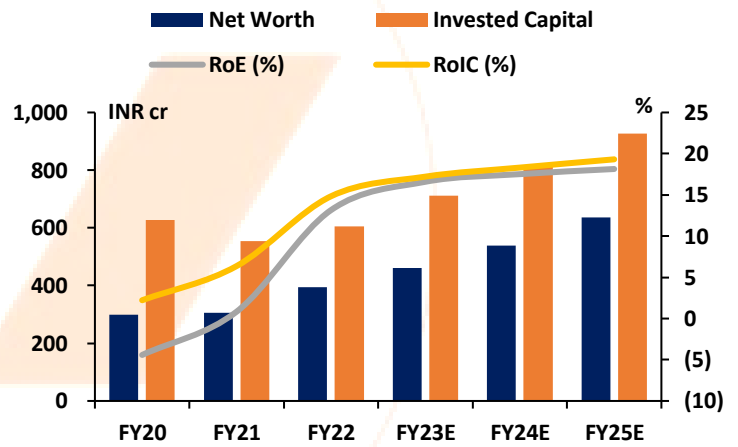
Revenue share (%): Focus will be more on own brands in the coming years



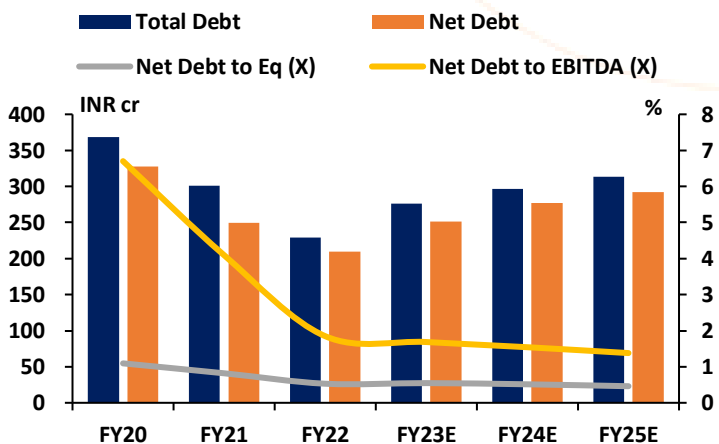
Rise in the share of own brand revenue to improve margins



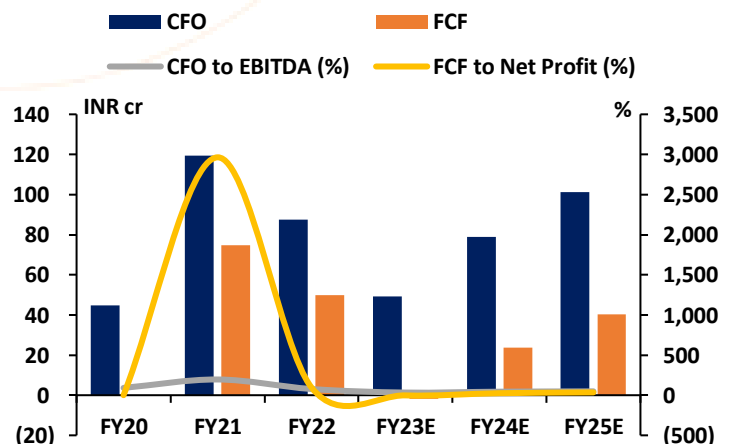
Return ratios to follow profitability in the coming years



Balance sheet health to improve with the better profitability



Cash flows to remain strong due to lower capex requirements and higher profitability



Source: Company Reports and Ventura Research



SULA's future growth strategies

Continuous focus on the Own Brands

SULA's main strategy is to continue focusing on its own brands over 3rd party brands that it imports and distributes. The company made a clear shift towards focusing on its own brands in FY20.

Focus on premiumization of the product portfolio

SULA intends to continue to leverage its distribution capability to launch new products under premium categories to further increase its revenue and market share in the Indian wine market. To this end, they launched "The Source" brand with 4 labels in FY18, and undertook a rebranding of their "RASA" brand in FY22. The company launched a total of 7 labels under its brands, Sula, The Source, RASA and Dindori, in the last 5 years, which have all been in the 'Elite' category. The company has been successful in consistently raising the prices of its wines by an annual. A key driver of their consumer strategy is catering to different target consumers across various price points and enabling them to upgrade to higher-value products.

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

The majority of wine consumers are from the top urban centres in India, with Mumbai, Bengaluru, Delhi NCR, Pune, and Hyderabad contributing more than 70% of the overall market. SULA'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. Additionally, with the 'Dia' brand, the company seeks to achieve a greater market penetration due to the increased accessibility of aluminium cans, being single-serve offerings at a lower average selling price.

The company's distribution network enables them to increase the availability and visibility of its brands. The management seeks to continue to focus on increasing sales volumes in its geographies by expanding its distribution network, optimizing its distribution operations and increasing product supply to the under-penetrated markets. The company 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 are expected to enable them to increase the availability of products which will in turn increase brand awareness and revenue.

Effective use of digital media to increase awareness of wine in India

The company's initiatives included a combination of social media lifestyle and wine influencer activities, through which "influencers" with significant following conduct promotional activities for the wine tourism business through SULA's or their own social media channels. The strategy of engaging popular influencers with significant followings on social media platforms such as



Instagram helps the company leverage its extensive network to amplify its message, taking awareness of wine to a wider audience.

Sustainability and climate change readiness continue to be at the heart of the long-term strategy

SULA is one of the most sustainable wine businesses in the world with more than 2MW of installed solar PV capacity providing the company with over 60% of annual energy needs. Furthermore, with systems in place ensuring the recycling and reuse of winery wastewater, the company is one of the most sustainable wine companies in India.

SULA is an applicant member of the IWCA, a part of the 'Race to Zero' global campaign, led by the United Nations and its member wineries are committed to achieving net zero emissions by 2050. The company's focus is to be resilient to climate change and global warming while being committed to producing India's finest wines using sustainable methods. Furthermore, SULA's entire vineyard acreage is drip irrigated, and the company practice rainwater harvesting, wastewater recycling and sustainable farming practices at their vineyards.

Pursuing strategic investments and acquisitions to further consolidate the Indian wine industry

SULA has a demonstrated record in acquiring and successfully integrating companies and teams over the last few years, with 2 significant acquisitions in the last 5 years. Through these acquisitions, SULA seeks to consolidate its position further in the Indian wine market, increasing its scale and market share. Their acquisitions of the brands and assets of Heritage Winery and York Winery in FY17 and FY22, respectively, are a testament to this. In particular, the acquisition of Heritage was strategic, providing SULA with its first owned manufacturing facility in Karnataka, allowing the company to avail the benefit of significantly lower duties on the sale of their wines in Karnataka and offering growth potential to increase its Wine Tourism Business.

Continue to expand the Wine Tourism Business

SULA's Wine Tourism Business goes hand in hand with the Wine Business and is an important factor contributing to its growth. The company has increased the number of rooms at its Wine Tourism Business facilities from 33 rooms in FY18, to 67 rooms and plans on adding additional rooms in the next few years. The company intends to continue to expand its Wine Tourism Business and build on its brand, experience and expertise in this business.



Management Team

Key Persons	Designation	Details
Mr Chetan Rameshchandra Desai	Chariman	He is a fellow member of the ICAI. He has previously worked with Haribhakti and Co., LLP, CA for over 39 years. He was serving as the managing partner of Haribhakti and Co., LLP, CA at the time of retirement and also used to head the audit and assurance practice of the firm. .
Mr Rajeev Samant	Promoter, MD & CEO	He holds a bachelor's degree in economics and a master's degree in science (industrial engineering) from Stanford University, USA. He is the founder of our Company. He has previously worked with Oracle Corporation
Mr Karan Vasani	Chief Wine Maker & SVP	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. He was awarded the WSET Level 2 Intermediate Certificate and Level 3 Advance Certificate in Wines and Spirits by the Wines and Spirit Education Trust Ltd. He has previously worked with CRISIL Ltd and Cuvaision Estate Wines in various capacities.
Mr Chaitanya Rathi	COO	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 MBA from INSEAD. He has previously worked with Everstone Capital Advisors Pvt Ltd and Mswipe Technologies Pvt Ltd in various capacities.
Mr Bittu Varghese	CFO	He holds a bachelor's degree in commerce from the University of Mumbai. He is a member of the ICAI. He has previously worked with Marico Industries Ltd, S.C. Johnson Products Pvt Ltd (earlier known as Karamchand Appliances Pvt Ltd), Hindustan Coca-Cola Beverages Pvt Ltd and Pernod Ricard India Pvt Ltd in various capacities

Source: Company Reports

Key Risks & Concerns

- Indian liquor industry is subject to a licensing and excise regime with changing laws, rules and regulations and legal uncertainties, including the adverse application of corporate and tax laws. Any significant change in laws and rules could affect SULA's business performance.
- Adverse climatic conditions or pests may impact the quality of wine grapes which are the key raw materials for SULA wines.
- SULA'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.



Issue Structure and Offer Details

The proposed OFS size of SULA's IPO is INR 960 cr and the price band for the issue is in the range of INR 340-357 and the bid lot is 42 shares and multiples thereof.

Issue Structure

Investor Category	Allocation	No of shares offered
QIB	Not more than 50%	1,34,50,266
NIB	Not less than 15%	40,35,079
Retail	Not less than 35%	94,15,185
Total		2,69,00,530

Number of share based on higher price band of INR 357

Source: Company Reports

Details of selling shareholders

Name of selling shareholder	Amount offered	No of shares offered
Promoter selling shares		
Mr Rajeev Samant	Not more than 33.5 INR cr	Upto 937,203 Equity Shares
Institutions selling shares		
Cofintra S A	Not more than 256.7 INR cr	Upto 7,191,835 Equity Shares
Haystack Investments Ltd	Not more than 7.1 INR cr	Upto 200,000 Equity Shares
Saama Capital III Ltd	Not more than 24.5 INR cr	Upto 687,389 Equity Shares
SWIP Holdings Ltd	Not more than 4.3 INR cr	Upto 121,076 Equity Shares
Verlinvest S A	Not more than 256.7 INR cr	Upto 7,191,835 Equity Shares
Verlinvest France S A	Not more than 249.2 INR cr	Upto 6,579,565 Equity Shares
Individual selling shares		
Dinesh G Vazirani	Not more than 1.8 INR cr	Upto 50,000 Equity Shares
JA Moos	Not more than 0.1 INR cr	Upto 2,250 Equity Shares
Karishma Singh	Not more than 17.1 INR cr	Upto 479,063 Equity Shares
Major A V Phatak (Retd)	Not more than 0.3 INR cr	Upto 8,625 Equity Shares
Narain Girdhar Chanrai	Not more than 36 INR cr	Upto 1,007,314 Equity Shares
Ruta M Samant	Not more than 71.9 INR cr	Upto 2,014,758 Equity Shares
Sanjay Naraindas Kirpalani	Not more than 15.3 INR cr	Upto 429,617 Equity Shares

Number of share based on higher price band of INR 357

Source: Company Reports



SULA financial summary and analysis

Fig in INR Cr (unless specified)	FY21	FY22	FY23E	FY24E	FY25E	Fig in INR Cr (unless specified)	FY21	FY22	FY23E	FY24E	FY25E
Income Statement						Per share data & Yields					
Revenue	418.0	453.9	548.1	653.7	764.6	Adjusted EPS (INR)	0.3	6.2	9.1	11.2	13.7
YoY Growth (%)	-19.9	8.6	20.7	19.3	17.0	Adjusted Cash EPS (INR)	3.4	9.0	12.2	14.8	17.6
Raw Material Cost	157.5	117.1	120.6	143.8	168.2	Adjusted BVPS (INR)	36.2	46.9	54.7	64.1	75.4
RM Cost to Sales (%)	37.7	25.8	22.0	22.0	22.0	Adjusted CFO per share (INR)	14.2	10.4	5.9	9.4	12.0
Employee Cost	55.5	65.3	87.7	104.3	121.6	CFO Yield (%)	4.0	2.9	1.6	2.6	3.4
Employee Cost to Sales (%)	13.3	14.4	16.0	16.0	15.9	Adjusted FCF per share (INR)	8.9	5.9	-0.2	2.8	4.8
Other Expenses	144.0	158.1	190.6	226.1	262.9	FCF Yield (%)	2.5	1.7	-0.1	0.8	1.3
Other Exp to Sales (%)	34.5	34.8	34.8	34.6	34.4	Solvency Ratio (X)					
EBITDA	61.0	113.3	149.2	179.6	211.9	Total Debt to Equity	1.0	0.6	0.6	0.5	0.5
Margin (%)	14.6	25.0	27.2	27.5	27.7	Net Debt to Equity	0.8	0.5	0.5	0.5	0.5
YoY Growth (%)	24.6	85.8	31.7	20.4	18.0	Net Debt to EBITDA	4.1	1.8	1.7	1.5	1.4
Depreciation & Amortization	25.7	23.6	26.7	30.1	32.8	Return Ratios (%)					
EBIT	35.3	89.7	122.5	149.5	179.2	Return on Equity	0.8	13.2	16.6	17.5	18.1
Margin (%)	8.4	19.8	22.4	22.9	23.4	Return on Capital Employed	5.5	10.8	12.4	13.4	14.1
YoY Growth (%)	153.0	154.3	36.6	22.1	19.8	Return on Invested Capital	6.4	14.8	17.2	18.3	19.3
Other Income	3.6	2.8	2.0	2.1	1.8	Working Capital Ratios					
Finance Cost	33.4	22.9	22.4	25.3	27.0	Payable Days (Nos)	51	54	55	55	55
Interest Coverage (X)	1.1	3.9	5.5	5.9	6.6	Inventory Days (Nos)	126	130	130	130	130
Exceptional Item	-2.2	0.0	0.0	0.0	0.0	Receivable Days (Nos)	108	88	100	100	100
PBT	3.2	69.5	102.0	126.3	154.0	Net Working Capital Days (Nos)	183	164	175	175	175
Margin (%)	0.8	15.3	18.6	19.3	20.1	Net Working Capital to Sales (%)	50.1	45.0	47.9	47.9	47.9
YoY Growth (%)	-118.3	2,082.6	46.7	23.8	21.9	Valuation (X)					
Tax Expense	0.2	17.4	25.7	31.8	38.8	P/E	1,193.3	57.8	39.4	31.8	26.1
Tax Rate (%)	5.4	25.0	25.2	25.2	25.2	P/BV	9.9	7.6	6.5	5.6	4.7
PAT	3.0	52.1	76.4	94.5	115.2	EV/EBITDA	53.4	28.4	21.8	18.3	15.6
Margin (%)	0.7	11.5	13.9	14.5	15.1	EV/Sales	7.8	7.1	5.9	5.0	4.3
YoY Growth (%)	-118.9	1,629.9	46.4	23.8	21.9	Cash Flow Statement					
Min Int/Sh of Assoc	-0.5	-0.1	0.0	0.0	0.0	PBT	3.2	69.5	102.0	126.3	154.0
Net Profit	2.5	52.0	76.4	94.5	115.2	Adjustments	82.7	30.3	31.5	35.1	39.2
Margin (%)	0.6	11.5	13.9	14.5	15.1	Change in Working Capital	33.8	5.0	-58.6	-50.7	-53.2
YoY Growth (%)	-119.0	1,964.0	46.9	23.8	21.9	Less: Tax Paid	-0.2	-17.4	-25.7	-31.8	-38.8
Balance Sheet						Cash Flow from Operations	119.5	87.4	49.3	78.9	101.3
Share Capital	15.1	15.7	15.7	15.7	15.7	Net Capital Expenditure	-15.6	-45.9	-61.7	-67.6	-73.3
Total Reserves	289.7	379.5	444.4	523.8	619.5	Change in Investments	-6.1	-10.9	2.2	1.5	0.9
Shareholders Fund	304.7	395.3	460.2	539.6	635.2	Cash Flow from Investing	-21.7	-56.8	-59.4	-66.1	-72.5
Long Term Borrowings	59.1	48.1	40.0	30.0	20.0	Change in Borrowings	-62.7	-75.0	47.6	19.9	16.9
Deferred Tax Assets / Liabilities	16.0	16.9	16.9	16.9	16.9	Less: Finance Cost	-33.4	-22.9	-22.4	-25.3	-27.0
Other Long Term Liabilities	0.0	0.0	0.0	0.0	0.0	Proceeds from Equity	1.6	56.1	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0	0.0	0.0
Long Term Provisions	10.0	2.0	2.7	3.2	3.7	Dividend Paid	0.0	-19.4	-11.5	-15.1	-19.6
Total Liabilities	389.8	462.2	519.7	589.6	675.8	Cash flow from Financing	-94.5	-61.3	13.7	-20.5	-29.7
Net Block	304.0	344.4	384.1	426.7	471.8	Net Cash Flow	3.4	-30.6	3.6	-7.7	-0.9
Capital Work in Progress	0.1	1.0	0.0	0.0	0.0	Forex Effect	0.0	0.0	0.0	0.0	0.0
Intangible assets under development	0.0	0.0	0.0	0.0	0.0	Opening Balance of Cash	37.5	40.8	10.2	13.8	6.1
Non Current Investments	0.0	0.0	0.0	0.0	0.0	Closing Balance of Cash	40.8	10.2	13.8	6.1	5.2
Long Term Loans & Advances	7.5	7.7	9.3	11.1	13.0						
Other Non Current Assets	19.3	18.1	21.8	26.0	30.4						
Net Current Assets	58.9	91.0	104.4	125.7	160.5						
Total Assets	389.8	462.2	519.7	589.6	675.8						

Source: Ventura Research



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Corporate Office: I-Think Techno Campus, 8th Floor, 'B' Wing, Off Pokhran Road No 2, Eastern Express Highway, Thane (W) – 400608