

Sula Vineyards

SECTOR: ALCOHOLIC BEVERAGES



SHIKSHAN NIVESH

FROM KNOWLEDGE TO WEALTH: EDUCATE, ANALYZE, INVEST

If you've ever sipped wine in India, chances are it was from Sula. From humble beginnings in 1996 in Nashik, Sula has grown into India's No.1 wine company

Stock price +50% Down from Highs: Hidden Value or Just Sour Grapes?

India's biggest wine brand — Sula — is down over **50% from its highs**. From premium wines to vineyard resorts, they've built an empire. But the markets seem to have **lost their buzz**.

So, what went wrong — and is it fixable?

🧠 FY24 Snapshot (The Good Stuff)

💰 **Revenue:** ₹616 Cr | **EBITDA:** ₹184 Cr | **PAT:** ₹93 Cr

🏠 **Own Brands:** 88% of total sales

🍷 **Wine Tourism:** ₹54.7 Cr (+22% YoY)

💡 **ROCE:** 25.2% | **Solar:** 59% of energy

⚠️ Q3FY25 — The Pain Points

1. WIPS Subsidy Cap

- Dindori unit hit subsidy cap → ₹4.7 Cr loss in Q3
- **200 bps direct hit** on margins

2. Urban Consumption Slowed

- Urban India = **90%** of demand
- Mumbai & Pune **weak**;

Maharashtra elections = dry days + restrictions

3. Delayed Govt. Receivables

- ₹90 Cr **stuck** in state corporations (esp. **Telangana**)
- **DSOs** increased by **30 days**

4. Cost Pressures & Margin Compression

- EBITDA ↓ **26% YoY** | PAT ↓ **35% YoY**
- Gross margin fell to **62.4% (from 67%)**
- **S&D costs rose** as Sula expanded into Tier 2 cities

5. Higher Excise & Duty in New States

- Non-Maharashtra/Karnataka states = **lower margin, higher duties**

✅ Are These Problems Behind Us?

Mostly, yes — or on their way to resolution:

- **WIPS Issue:** Being **resolved**, Nashik bottling started **Jan'25**. Full WIPS benefit from FY26.
- **Telangana Dues:** **Recovery underway**; payments improving.
- **Urban Demand:** Still **uncertain**, but premium and elite segments are holding up well. Tier-II growth is healthy (+8% YoY).
- **Margins Outlook:** Company is **pulling back on S&D** and expecting a margin rebound of 200–300 bps in FY26 .
- **Wine Tourism:** Continued strong performance — **record ARR, occupancy, and weddings** in Q3.

🧠 Shikshan Nivesh Take: Is This a Trap or a Tasting Opportunity?

Sula is not a **fraud, governance concern, or overleveraged story**. This is a premium consumption business going through a **mid-cycle margin reset**.

Challenges? **Yes**. But fundamentals? **Still intact**.

Long-term story still smells like a good vintage:

- Premium wine tailwinds
- Tourism scale-up
- D2C channels
- Brand moat
- High ROCE business

But remember: Wine takes time. So does investing.

🟡 **Caution:** Urban demand trends & subsidy execution are key near-term risks.

🧠 **Triggers:** FY26 margin recovery, tourism expansion, revival in urban discretionary spending.

Sula Vineyards Ltd

Market Cap

₹ 2,413 Cr.

Price/Earnings

34x

PEG Ratio

1.18

Sales CAGR 3 Year

14%



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