


 13th February 2025

LTP* – ₹319.45/-

 View – **Hold**
Q3FY25 Performance

- Gross revenue from operations declined 0.4% YoY to ₹217crs due to a broad-based consumption slowdown in urban India, election-related disruptions in Maharashtra, including dry days and, higher S&D spending in distribution markets also impacted revenue as those are netted off from revenue.
- Revenue from Elite and Premium wines grew 5.6% YoY and volume grew by 3% YoY led by healthy double-digit growth in Iconic brands – The Source and RASA while economy and popular were down 14.6% YoY in Q3FY25.
- Own brands revenue was flat at ₹195crs (1% YoY) while wine tourism grew 11.6% YoY to ₹16.4crs. Revenue ex-Maharashtra and Karnataka grew 8% YoY. West Bengal, Haryana, Delhi, MP, Rajasthan, and Chandigarh, among others, saw strong double-digit growth.
- Gross Profit declined 7.3% YoY and gross margins contracted by 462bps due to lower WIPS credit and higher S&D in distribution markets. Both these costs also flowed to hit EBITDA. EBITDA declined by 26% YoY mainly due to higher S&D and marketing expenses. EBITDA margin declined 890bps YoY. PAT declined 34.7% YoY to 28.1crs and PAT margin declined 710bps to 14% YoY.
- The contribution of elite and premium wines to total revenue (owned brands) stood at 80% in Q3FY25.

Important Statistics

Nifty	23,045.25
Sensex	76,171.08
LTP* (₹)	319.45
M.CAP (₹ crs)	~₹2,681
52 Week H/L (₹)	₹639.95/308.10
NSE Code	SULA
BSE Code	543711
Bloomberg Code	SULA:IN

LTP as on 12th February 2025*

Shareholding Pattern (%)	Dec'24
Promoter	24.7
FII	09.6
DII	19.9
Public & Others	45.8

Key takeaways from Q3FY25 result

- Own brand's business recorded its 11th straight quarter of growth. However, this quarter was subdued (1% YoY growth) and softer than management's expectations due to a multitude of factors, including a broad-based slowdown in urban consumption; especially with the urban markets accounting for more than 90% of Sula's business faced a significant impact from this ongoing slowdown, especially in two key markets of Mumbai and Pune.
- Additionally, state elections in the most important state market, Maharashtra, with a number of dry days and very strict code of conduct restrictions also had an impact on sales in the largest state. And in Telangana too, which is now Sula's third largest state and in fact challenging Karnataka for second largest status and which has been growing well, consciously slowed down placement there in Q3 due to a delay in receivables from state authorities.
- Revenue outside Maharashtra and Karnataka continued to see healthy traction in Q3FY25, growing by 8% after recording a high single-digit growth in H1FY25.
- Wine Tourism revenues grew by 12% over last year, led by improved occupancy rates which stood at 81% in Q3FY25 versus 76% in Q3FY24, and higher ARR's driven also by a record number of wedding bookings where the entire resort was taken over.
- In 4QFY25, Sula will open a Dindori Tasting Room and Bottle Shop at the ND Wines location near the Gujarat border. Additionally, in FY26, Domaine Sula, near Bangalore, will launch a new tasting room and bottle shop in H2FY26.
- The most significant out of expansion plans is the 30 key resorts coming up near York Winery in Nashik. This will expand total room capacity in Nashik by 30% from 104 keys to 134 keys.
- These expansions, along with the upcoming SulaFest, provide a boost to the wine tourism business.

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 View – **Hold**

- Employee costs/other expenses/selling and distribution expenses increased 11.6%/5.6%/15.7% YoY to ₹25cr/₹26crs/₹31crs.
- The company continuously looks forward to delivering strong double-digit volume growth as the company's focus will be on driving volume growth through premium segment and expanding market reach.

Risks

- Inflation in raw material prices
- Any adverse outcome related to excise duty payment could have a material impact on Sula's financials

View

Revenue from operations declined in Q3FY25 due to broad based consumption slowdown in urban India, election-related disruptions in Maharashtra and WIPS credit captured being lower by ₹4.7crs vs last year with the capping of WIPS at ₹20crs p.a. at Domain Dindori facility.

The Elite & Premium portfolio continued to see good momentum, even in a subdued environment. Revenues outside Maharashtra and Karnataka remained robust, with over 10 states achieving strong double-digit growth, now contributing 50% to Own Brand sales.

The company is well placed to leverage the global consumer shift towards the low-alcohol beverage segment with strong backend capabilities and a pan-Indian distribution network. Sula has been a consistent market leader in the Indian wine industry in terms of sales volume and value since FY09 crossing ~50% market share by value in the domestic 100% grapes wine market.

We continue to believe in the company's long-term growth prospects. **At its CMP, the stock trades at 35.1 its TTM EPS of ₹9.1 and recommend investors to hold the stock.**

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 View – **Hold**
Quarterly Performance

(₹ crs)

Particulars	Q3FY25	Q3FY24	VAR	Q2FY25	VAR	9MFY25	9MFY24	VAR
Gross Sales	216.64	217.54	-0.4%	141.21	53.4%	486.29	476.96	2.0%
Excise duty on Sales	16.49	14.5	13.7%	8.85		32.85	31.74	3.5%
Net Sales (Net of Excise Duty)	200.15	203.04	-1.4%	132.36	51.2%	453.44	445.22	1.8%
Other Income	0.9	1.4	-35.7%	0.76	18.4%	2.92	3.86	-24.4%
TOTAL INCOME	201.1	204.4	-1.7%	133.1	51.0%	456.4	449.1	1.6%
Total Raw Material Cost	64.9	57.2	13.5%	28.0	132.0%	116.3	109.4	6.4%
Cost of Raw Material & Components Consumed	18.93	18.51	2.3%	13.05	45.1%	43.69	44.97	-2.8%
(Increase)/ Decrease in Inventories	33.52	32.36	3.6%	11.52	191.0%	53.69	50.4	6.5%
Purchase of Traded Goods	12.49	6.35	96.7%	3.42	265.2%	18.92	13.98	35.3%
<i>Total Raw Material Cost % to Sales</i>	<i>32.4%</i>	<i>28.2%</i>		<i>21.1%</i>		<i>25.6%</i>	<i>24.6%</i>	
Employee Cost	25.3	22.68	11.6%	23.8	6.3%	72.91	65.86	10.7%
<i>Employee Cost % to Sales</i>	<i>12.6%</i>	<i>11.2%</i>		<i>18.0%</i>		<i>16.1%</i>	<i>14.8%</i>	
Selling & Distribution Expenses	30.68	26.51	15.7%	21.13	45.2%	68.93	53.51	28.8%
<i>Selling & Distribution Expenses % of Sales</i>	<i>15.3%</i>	<i>13.1%</i>	<i>2.3%</i>	<i>16.0%</i>		<i>15.2%</i>	<i>12.0%</i>	<i>3.2%</i>
Other Expenses	26.18	24.78	5.6%	25.84	1.3%	74.69	70.1	6.5%
<i>Other Expenses % of Sales</i>	<i>13.1%</i>	<i>12.2%</i>		<i>19.5%</i>		<i>16.5%</i>	<i>15.7%</i>	
TOTAL EXPENDITURE	147.1	131.2	12.1%	98.8	48.9%	332.8	298.8	11.4%
EBIDTA	53.1	71.9	-26.2%	33.6	57.9%	120.6	146.4	-17.6%
EBIDTA Margin %	26.5%	35.4%		25.4%		26.6%	32.9%	
Finance Costs	7.81	8.09	-3.5%	7.59	2.9%	22.5	19.93	12.9%
PBDT	46.1	65.2	-29.2%	26.8	72.4%	101.0	130.3	-22.5%
Depreciation, Amortization & Impairment	8.93	8.11	10.1%	8.69	2.8%	26.25	23.28	12.8%
PBT before Exceptional Items	37.2	57.1	-34.8%	18.1	105.8%	74.8	107.1	-30.1%
Exceptional Items			-		-	0	0	-
PBT after Exceptional Items	37.2	57.1	-34.8%	18.1	-	74.8	107.1	-30.1%
Tax	9.15	14.07	-35.0%	3.6	154.2%	17.61	27.3	-35.5%
<i>Tax Rate %</i>	<i>24.6%</i>	<i>24.7%</i>		<i>19.9%</i>		<i>23.5%</i>	<i>25.5%</i>	
Reported Profit before share in profit of joint venture	28.1	43.0	-34.7%	14.5	93.8%	57.2	79.8	-28.3%
PAT Margin %	14.0%	21.2%	-7.1%	10.9%		12.6%	17.9%	-5.3%
Net profit for the period	28.1	43.0		14.5		57.2	79.8	
Other Comprehensive Income (net of tax)	0.2	0.3		-0.1		-0.5	-0.98	
Total Comprehensive Income	28.2	43.3	-34.9%	14.4	96.0%	56.7	78.8	-28.1%
EPS	3.32	5.09	-34.7%	1.71	93.8%	6.77	9.44	-28.3%
Equity	16.9	16.9	0.0%	16.9		16.9	16.9	0.0%
Face Value	2.0	2.0		2.0		2.0	2.0	

Source: Company, Way2wealth Research

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Disclosure of Interest Statement : Sula Vineyards Ltd (SULA) as on 13 February 2025

Name of the Security	Sula Vineyards Ltd (SULA)
Name of the analyst	Ashwini Sonawane
Analysts' ownership of any stock related to the information contained	NIL
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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