

Q4FY24 Performance

- Gross revenue from operations grew 9.7% YoY to ₹132crs, reported the highest ever quarterly revenue. Revenue from Elite & Premium wines led the overall growth with 14.3% YoY growth.
- Own brands/hospitality revenue grew 9%/31% YoY backed by setting new records for visitor numbers, revenue, and tastings over the long Republic Day weekend.
- The contribution of elite and premium wines to total revenue stood at 75%.
- EBITDA de-grew 4% YoY to ₹30crs and margin contracted to 24.1% (310 bps) YoY due to a higher mix of revenues from non-core states and CSD and increased marketing expenses. PAT declined 9.3% YoY to ₹13.4crs and the margin contracted 160bps to 10.9% YoY.
- The company has recommended a final dividend of ₹4.5 per share.
- Management is confident of delivering positive results going forward, driven by premiumisation, focusing on own brands, and booming wine tourism.

Important Statistics

Nifty	22,201
Sensex	72,987
M.CAP (₹ Cr)	₹4,152
52 Week H/L (₹)	₹700/395
NSE Code	SULA
BSE Code	543711
Bloomberg Code	SULA:IN

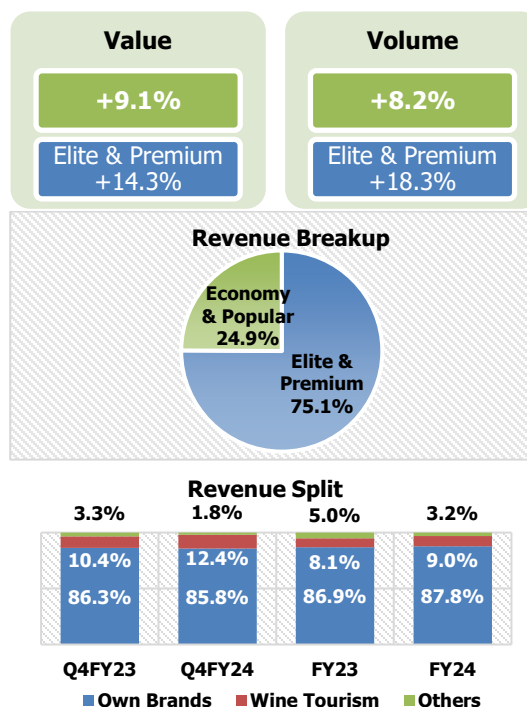
Shareholding pattern (%) Mar'24

Promoter	26.28
FII	13.85
DII	22.61
Public &Others	37.36

Key takeaways from Q4FY24 result

- **Premiumisation:**
 - Premiumization efforts have succeeded in raising Elite and Premium wine share to an all-time high of 75.1% in Q4FY24, up from 71.7% a year ago. Elite and Premium wines achieved 15.5% growth this year, contributing to an over 110bps increase in EBITDA margin to an all-time high in FY24.
 - Elite and premium wines value/volume grew 14.3%/18.3% YoY in Q4
- **Margin:**
 - Gross Margin during the quarter was 80%, expanded ~100 bps YoY. EBITDA de-grew 4% YoY to ₹30crs and margin contracted to 24.1% (310 bps) YoY. PAT declined 9.3% YoY to ₹13.4crs and margin contracted 160bps to 10.9% YoY.
 - Despite GM expansion, EBITDA declined due to high other expenses. Employee costs/other expenses/selling and distribution expenses increased 3%/29%/12% YoY to ₹21crs/₹33crs/14crs.
- **FY24:**
 - Net Revenue at ₹609crs, 10.7% YoY. Revenue from Elite & Premium wines led the overall growth with 15.5% YoY growth. EBITDA at 176crs, 12% YoY EBITDA margin 30bps up to 31% YoY. PAT grew ~10% YoY to ₹93crs with ROCE at 25.2% 221bps up.
 - Sula has experienced one-time (non-recurring) costs related to charges they had to pay in some corporation markets and security deposit write-off. These one-time expenses impacted the FY24 EBITDA margin by about ~190 bps
 - Sula saw strong traction in the non-traditional wine markets outside of core markets (Maharashtra and Karnataka). States such as Telangana, Rajasthan, and channels such as CSD grew 50% YoY.
 - Overall, Sula witnessed increased market share across many states and new channels. However, key markets such as Mumbai and Goa grew flat-to-negative in FY24 and expects these markets to remain weak for the upcoming fiscal as well.

Q4FY24



Source: Company, Way2Wealth Research

Relative Performance

Absolute Returns (%)	1 Yr	3Yr	5 Yr
SULA	15	-	-
Nifty 50	22	46	87
Sensex	18	44	85

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16th May 2024

CMP – ₹492/-

View – Accumulate

- The company expects the margin to normalise to sustain level due to brand activation initiation to expand geographies beyond Maharashtra and Karnataka via a focus on premiumization.
- Sula realized the WIPS incentive of ₹56crs for FY23 and expects a VAT refund capping limit of ₹20crs per unit would impact profitability in FY25E. However, management is planning to reshuffle the production activity (York Winery will begin bottling from 1QFY25 and ND Winery in 2QFY25) and expects the impact to be reduced from FY26
- Sula has acquired N.D. Wines in Apr'24 for ₹13crs. ND wines is now a part of Sula and the site has tremendous wine tourism potential and work is about to begin on expanding the current 120sq ft bottle shop to a 3,600 sq ft wine tourism destination less than 50 km from the Gujarat border.
- Currently, solar power is meeting 60% of Sula's energy requirements and is on track to meet 70% by FY25 end.

➤ **WineTourism/Hospitality:**

- Wine tourism revenues grew in double digits, for the fifth quarter in a row. Wine tourism is a top priority and expanding fast. Last week Sula opened Milestone Cellars by Sula, the first standalone Tasting Room/Wine Bar outside own winery campuses, located a stone's throw from Nashik airport. And also signed a new resort next to York Winery slated to open in mid-2025, which will be first with convention facilities.
- Wine tourism revenues grew 31% to ₹16.4crs YoY. Tastings surged 58% in Q4 to ~80,000 taking FY24 total to over 2,50,000, 42% YoY.
- The company continues to look forward to delivering strong double-digit volume growth as the company's focus will be on driving volume growth through the 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

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.

The management is confident of delivering positive results going forward, driven by premiumisation, focusing on own brands and marketing and digitization expansion also the good harvest this year, the ongoing boom in domestic wine tourism, and more consumers choosing premium Indian wines, these trends bode well for the future.

We continue to believe in the company's long-term growth prospects. **At its CMP of ₹492/-, the stock trades at ~44.7 its FY24 earnings of ₹11 and recommend investors to Accumulate the stock.**

16th May 2024

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Quarterly Performance

(₹ Cr)

Particulars	Q4FY24	Q4FY23	VAR	Q3FY24	VAR	FY24	FY23	VAR
Gross Sales	131.7	120	9.70%	217.54	-39.50%	608.66	553.47	10.00%
Excise duty on Sales	9.16	6.62	38.40%	14.5		40.9	36.97	10.60%
Net Sales (Net of Excise Duty)	122.54	113.38	8.10%	203.04	-39.60%	567.76	516.5	9.90%
Other Income	3.65	0.91	301.10%	1.4	160.70%	7.51	3.49	115.20%
TOTAL INCOME	126.2	114.3	10.40%	204.4	-38.30%	575.3	520	10.60%
Total Raw Material Cost	24.5	23.8	3.10%	57.2	-57.20%	133.9	133.1	0.50%
Cost of Raw Material & Components Consumed	88.88	81.78	8.70%	18.51	380.20%	133.85	120.46	11.10%
(Increase)/ Decrease in Inventories	-67.68	-61.76	9.60%	32.36	-309.10%	-17.28	-8.46	104.30%
Purchase of Traded Goods	3.3	3.75	-12.00%	6.35	-48.00%	17.28	21.12	-18.20%
<i>Total Raw Material Cost % to Sales</i>	<i>20.00%</i>	<i>21.00%</i>		<i>28.20%</i>		<i>23.60%</i>	<i>25.80%</i>	
Employee Cost	21.09	20.45	3.10%	22.52	-6.30%	86.47	77.61	11.40%
<i>Employee Cost % to Sales</i>	<i>17.20%</i>	<i>18.00%</i>		<i>11.10%</i>		<i>15.20%</i>	<i>15.00%</i>	
Selling & Distribution Expenses	14.13	12.58	12.30%	26.52	-46.70%	67.65	55.31	22.30%
<i>Selling & Distribution Expenses % of Sales</i>	<i>11.50%</i>	<i>11.10%</i>	<i>0.40%</i>	<i>13.10%</i>		<i>11.90%</i>	<i>10.70%</i>	<i>1.20%</i>
Other Expenses	33.34	25.76	29.40%	24.94	33.70%	103.92	92.99	11.80%
<i>Other Expenses % of Sales</i>	<i>27.20%</i>	<i>22.70%</i>		<i>12.30%</i>		<i>18.30%</i>	<i>18.00%</i>	
TOTAL EXPENDITURE	93.1	82.6	12.70%	131.2	-29.10%	391.9	359	9.20%
EBIDTA	29.5	30.8	-4.30%	71.8	-59.00%	175.9	157.5	11.70%
EBIDTA Margin %	24.10%	27.20%		35.40%		31.00%	30.50%	
Finance Costs	6.24	4.84	28.90%	8.09	-22.90%	26.17	21.09	24.10%
PBDT	26.9	26.9	0.00%	65.2	-58.70%	157.2	139.9	12.40%
Depreciation, Amortization & Impairment	8.35	6.81	22.60%	8.11	3.00%	31.63	25.89	22.20%
Profit before Tax	18.5	20.1	-7.70%	57	-	125.6	114	10.20%
Tax	5.17	5.84	-11.50%	14.07	-63.30%	32.47	29.95	8.40%
<i>Tax Rate %</i>	<i>27.90%</i>	<i>29.10%</i>		<i>24.70%</i>		<i>25.90%</i>	<i>26.30%</i>	
Reported Net Profit	13.4	14.2	-6.10%	43	-68.90%	93.1	84.9	9.70%
PAT Margin %	10.90%	12.60%	-1.60%	21.20%		16.40%	16.40%	0.00%
Other Comprehensive Income (net of tax)	0.3	0.9		0.3		-0.66	0.8	
Total Comprehensive Income	13.7	15.1	-9.30%	43.3	-68.40%	92.5	85.7	7.90%
EPS	1.58	1.69	-6.10%	5.09	-68.90%	11.02	10.05	9.70%
Equity	16.9	16.9	0.00%	16.9		16.9	16.9	0.00%
Face Value	2	2		2		2	2	

Source: Company, Way2wealth Research

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Disclosure of Interest Statement : Sula Vineyards Ltd (SULA) as on May 16, 2024

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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