

## Sula Vineyards Limited

Incorporated in 2003, Sula Vineyards Limited is the India's largest wine producer and seller as of March 31, 2022. The company also distribute wines under a bouquet of popular brands including "RASA," "Dindori", "The source," "Satori", "Madera" & "Dia" with its flagship brand "Sula" being the "category creator" of wine in India. The company's business is broadly classified under two categories (i) The production of wine, the import of wines and spirits, and the distribution of wines and spirits (the "Wine Business"); and (ii) The sale of services from ownership and operation of wine tourism venues, including vineyard resorts and tasting rooms (the "Wine Tourism Business").

**Positives:** (a) Experienced board and qualified senior management (b) Secured supply of raw materials with long term contracts exclusive to Sula (c) Established market leader in the Indian Wine industry with the leading brand "Sula" combined with leader and pioneer of wine tourism business in India

**Investment concerns:** (a) Company benefits from high import duties imposed on imports of international wines in India, these duties could be reduced or eliminated in the future. (b) Adverse climatic conditions may impact the quality of wine grapes which is the key raw material. (c) Company may not be able to adjust the retail prices of its products as a result of state regulation.

**Outlook & Valuation:** In terms of valuations, the post-issue P/E works out to 52.5x FY22 EPS (at the upper end of the issue price band) which is less than its indirect peers like United Spirits, United Breweries Ltd and Radico Khaitan Ltd. Further, SVL has a niche offering which peers don't have much expertise in. However, its financials are not much attractive at this juncture considering 10% yoy growth in net sales and along with the fact that it has recently turned profitable. Considering all the factors, we believe this valuation is at reasonable levels. Thus, we recommend a **NEUTRAL** rating on the issue.

### Key Financials

Y/E March (₹ cr)	FY'20	FY'21	FY'22
<b>Net Sales</b>	<b>485</b>	<b>386</b>	<b>424</b>
% chg		-20%	10%
<b>Net Profit</b>	<b>-16</b>	<b>3</b>	<b>52</b>
% chg			1610%
<b>EBITDA (%)</b>	<b>49</b>	<b>61</b>	<b>113</b>
<b>EPS (Rs)</b>	<b>-2</b>	<b>0.4</b>	<b>6.4</b>
P/E (x)	-	960.3	55.5
P/BV (x)	9.6	9.5	7.3
ROE (%)	-5.3	1.0	13.2
ROCE (%)	2	5.7	14.1
EV/Sales	6.7	8.2	7.3

Source: Company RHP, Angel Research

## NEUTRAL

Issue Open: December 12, 2022  
Issue Close: December 14, 2022

Present Eq. Paid up Capital: ₹ 15.72cr

Offer for Sale: ₹ 960cr

Fresh issue: ₹ 0cr

Post Eq. Paid up Capital: ₹ 15.72cr

Issue size (amount): ₹ 960cr

Price Band: ₹340 - ₹357

Lot Size: 42 shares and in multiple thereafter

Post-issue mkt. cap: \*₹2,863cr - \*\* ₹3,006cr

Promoters holding Pre-Issue: 28.44%

Promoters holding Post-Issue: 27.33%

\*Calculated on lower price band

\*\* Calculated on upper price band

### Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

### Post Issue Shareholding Pattern

Promoters	27.3%
Public	72.7%

**Amit Ranjan**

+91 022-4000 3600, Extn: 6810

amit.ranjan@angelbroking.com

## Company background

Incorporated in 2003, Sula Vineyards Limited is the India's largest wine producer and seller as of March 31, 2022. The company also distribute wines under a bouquet of popular brands including "RASA," "Dindori", "The source," "Satori", "Madera" & "Dia" with its flagship brand "Sula" being the "category creator" of wine in India. The company's business is broadly classified under two categories (i) the production of wine, the import of wines and spirits, and the distribution of wines and spirits (the "Wine Business"); and (ii) the sale of services from ownership and operation of wine tourism venues, including vineyard resorts and tasting rooms (the "Wine Tourism Business").

## Issue details

The IPO is completely made up of offer for sale of ₹960cr.

### Pre & Post Shareholding

Particulars	(Pre-Issue)		(Post-Issue)	
	No of shares	%	No of shares	%
Promoter	2,39,45,864	28.4%	2,30,08,661	27.3%
Public	6,02,52,884	71.5%	6,11,90,087	72.7%
<b>Total</b>	<b>8,41,98,748</b>	<b>100.0%</b>	<b>8,41,98,748</b>	<b>100.0%</b>

Source: Company, Angel Research

## Objectives of the Offer

- The Objects of offer are to carry out the offer for sale of up to 26,900,530 equity shares, aggregating to 960.35cr by selling shareholders and to achieve the benefits of listing the equity shares on the stock exchanges.

## Financial Summary

### Income Statement (Consolidated)

Y/E March (₹ cr)	FY'20	FY'21	FY'22
<b>Net Sales</b>	<b>485</b>	<b>386</b>	<b>424</b>
% chg		-20%	10%
<b>Total Expenditure</b>	<b>436</b>	<b>325</b>	<b>311</b>
Raw Material	227	157	117
Personnel	66	55	65
Others Expenses	143	112	129
<b>EBITDA</b>	<b>49</b>	<b>61</b>	<b>113</b>
% chg		25%	86%
(% of Net Sales)	10.1	15.8	26.7
Depreciation & Amortisation	35	26	24
<b>EBIT</b>	<b>14</b>	<b>35</b>	<b>90</b>
% chg		153%	154%
(% of Net Sales)	2.9	9.1	21.1
Interest & other Charges	33	33	23
Other Income	2	4	3
(% of PBT)	(9.0)	111.5	4.0
<b>PBT</b>	<b>(17)</b>	<b>3</b>	<b>70</b>
% chg		-118%	2083%
Tax	(1)	0	17
(% of PBT)	8.4	5.4	25.0
<b>PAT</b>	<b>(16)</b>	<b>3</b>	<b>52</b>
% chg		-119%	1630%
Share in profit of Joint venture	-	-	-
<b>PAT</b>	<b>(16)</b>	<b>3</b>	<b>52</b>
% chg		-119%	1630%
(% of Net Sales)	(3)	0.8	12.3
<b>Basic EPS (Rs)</b>	<b>(2.0)</b>	<b>0.4</b>	<b>6.4</b>
<b>Fully Diluted EPS (Rs)</b>	<b>(2.0)</b>	<b>0.4</b>	<b>6.4</b>

Source: Company, Angel Research

**Balance Sheet (Consolidated)**

Y/E March (₹ cr)	FY'20	FY'21	FY'22
<b>SOURCES OF FUNDS</b>			
Equity Share Capital	15	15	16
Reserves & Surplus	285	290	380
<b>Shareholders' Funds</b>	<b>300</b>	<b>305</b>	<b>395</b>
Minority Interest	2	-	-
Total Loans	393	315	240
Other Liabilities	8	10	2
Liabilities held for sale		14	
<b>Total Liabilities</b>	<b>703</b>	<b>643</b>	<b>637</b>
<b>APPLICATION OF FUNDS</b>			
Net Block	352	318	360
Goodwill	3	0	1
Capital Work-in-Progress	0	0	1
Investments	0	0	0
Current Assets	443	374	371
Inventories	171	144	162
Sundry Debtors	152	124	109
Cash	40	52	20
Loans & Advances	2	1	1
Other Assets	77	54	78
Current liabilities	110	92	105
<b>Net Current Assets</b>	<b>333</b>	<b>282</b>	<b>266</b>
Deferred Tax Assets (net)	0	0	0
Deferred Tax Liabilities (net)	18	16	17
Other Assets	33	27	26
Assets held for sale		32	
<b>Total Assets</b>	<b>703</b>	<b>643</b>	<b>637</b>

Source: Company, Angel Research

**Cashflow Statement (Consolidated)**

Y/E March (₹ cr)	FY'20	FY'21	FY'22
Profit before tax	(17)	3	70
Depreciation	35	26	24
Change in Working Capital	2	48	-14
Interest / Dividend (Net)	30	29	19
Direct taxes paid	(11)	7	-17
Others	6	6	6
<b>Cash Flow from Operations</b>	<b>45</b>	<b>120</b>	<b>87</b>
(Inc.)/ Dec. in Fixed Assets	(45)	-16	-55
Movement in Bank Balances (Net)	(1)	(9)	0
Interest Received	1	2	2
Proceeds for sale of PPE and investment in subsidiary	1	1	12
Payment pursuant to business combination	0	0	(16)
Other non-current investments	(0)	0	0
<b>Cash Flow from Investing</b>	<b>(44)</b>	<b>(22)</b>	<b>(57)</b>
Proceeds from Issue of Share capital	2	2	56
Proceed / (Repayment) of long term borrowings	19	(20)	-11
Interest Paid on lease liabilities	0	0	0
Payment of lease liabilities	(5)	(6)	-5
Interest / Dividend (Net)	(28)	(32)	-20
Proceed/ (Repayment) of short term borrowings	57	(39)	(61)
Dividend paid	(11)	0	(19)
<b>Cash Flow from Financing</b>	<b>33</b>	<b>(94)</b>	<b>(61)</b>
Inc./(Dec.) in Cash	34	3	-31
<b>Opening Cash balances</b>	<b>3</b>	<b>37</b>	<b>41</b>
<b>CCE acquired in business combination</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Transfer to assets of disposal group</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Closing Cash balances</b>	<b>37</b>	<b>41</b>	<b>10</b>

Source: Company, Angel Research

**Key Ratios**

Y/E March (₹ cr)	FY'20	FY'21	FY'22
<b>Valuation Ratio (x)</b>			
P/E (on FDEPS)	-	960.3	55.5
P/CEPS	151.3	100.8	38.2
P/BV	9.6	9.5	7.3
EV/Sales	6.7	8.2	7.3
<b>Per Share Data (Rs)</b>			
EPS (Basic)	-2.0	0.4	6.4
Cash EPS	2.4	3.5	9.3
Book Value	37.3	37.6	48.8
<b>Returns (%)</b>			
ROE	-5.3	1.0	13.2
ROCE	2.0	5.7	14.1

Source: Company, Angel Research;

Research Team Tel: 022 - 40003600

E-mail: [research@angelbroking.com](mailto:research@angelbroking.com)Website: [www.angelone.in](http://www.angelone.in)

## DISCLAIMER

Angel One Limited (hereinafter referred to as "Angel") is a registered Member of National Stock Exchange of India Limited, Bombay Stock Exchange Limited and Metropolitan Stock Exchange Limited. It is also registered as a Depository Participant with CDSL and Portfolio Manager and investment advisor with SEBI. It also has registration with AMFI as a Mutual Fund Distributor. Angel One Limited is a registered entity with SEBI for Research Analyst in terms of SEBI (Research Analyst) Regulations, 2014 vide registration number INH000000164. Angel or its associates has not been debarred/ suspended by SEBI or any other regulatory authority for accessing /dealing in securities Market.

This document is solely for the personal information of the recipient, and must not be singularly used as the basis of any investment decision. Nothing in this document should be construed as investment or financial advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in the securities of the companies referred to in this document (including the merits and risks involved), and should consult their own advisors to determine the merits and risks of such an investment.

Angel or its associates or research analyst or his relative may have actual/beneficial ownership of 1% or more in the securities of the subject company at the end of the month immediately preceding the date of publication of the research report. Neither Angel or its associates nor Research Analysts or his relative has any material conflict of interest at the time of publication of research report.

Angel or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business. Angel or its associates did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with the research report. Neither Angel nor its research analyst entity has been engaged in market making activity for the subject company.

Reports based on technical and derivative analysis center on studying charts of a stock's price movement, outstanding positions and trading volume, as opposed to focusing on a company's fundamentals and, as such, may not match with a report on a company's fundamentals. Investors are advised to refer the Fundamental and Technical Research Reports available on our website to evaluate the contrary view, if any.

The information in this document has been printed on the basis of publicly available information, internal data and other reliable sources believed to be true, but we do not represent that it is accurate or complete and it should not be relied on as such, as this document is for general guidance only. Angel One Limited or any of its affiliates/ group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. Angel One Limited has not independently verified all the information contained within this document. Accordingly, we cannot testify, nor make any representation or warranty, express or implied, to the accuracy, contents or data contained within this document. While Angel One Limited endeavors to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This document is being supplied to you solely for your information, and its contents, information or data may not be reproduced, redistributed or passed on, directly or indirectly.

Neither Angel One Limited, nor its directors, employees or affiliates shall be liable for any loss or damage that may arise from or in connection with the use of this information. Angel or its associates or Research Analyst or his relative might have financial interest in the subject company. Research analyst has not served as an officer, director or employee of the subject company.