Sector – Breweries & Distilleries

Sula Vineyards Ltd (SULA)

11th August 2026 | CMP – ₹154/- | View – **EXIT**

Key Highlights

- Revenue growth of 3% YoY in Q1FY27, supported by a recovery in the Own Brands business and continued double-digit growth in the Wine Tourism segment.
- Own Brands revenue grew 2% YoY, indicating a gradual normalization in demand across most markets. The Elite & Premium portfolio remained the key growth driver, growing 6% YoY, with its contribution to Own Brands increasing by 310bps to an all-time high of 78%. The continued improvement in premium mix reinforces Sula's focus on premiumization and strengthening its higher-value portfolio.
- Economy & Popular portfolio remained under pressure, primarily due to continued unsustainable discounting by competitors. Sula remains focused on prioritizing its Elite & Premium portfolio, in line with its strategy over the past few years.
- Telangana remained a standout market, delivering >50% YoY growth in Q1FY27, supported by sustained momentum following the resolution of the route-to-market disruption in December 2024.
- Karnataka continued to remain weak, despite being a key market for the company. Management expects the market to recover in H2FY27, which could provide an additional growth catalyst in the second half of the year. In Maharashtra, the elite and premium portfolio remained resilient. However, softer performance of the economy and popular portfolio moderated the performance of the market.

Important Statistics

Nifty	24,584
Sensex	78,542
LTP* (₹)	154
M.CAP (₹ crs)	~₹1300
52 Week H/L (₹)	₹297/139
NSE Code	SULA
BSE Code	543711
Bloomberg Code	SULA:IN

Close as on 10th August 2026*

Shareholding pattern (%)	Jun'26
Promoter	24.6
FII	06.8
DII	16.22
Public & Others	58.48

Key takeaways from Q1FY27 results

- EBITDA margin was impacted by higher blended grape costs, primarily due to a higher proportion of wine grapes relative to table grapes in the inventory mix. The adverse grape-cost mix resulted in an estimated ~150bps impact on margins during the quarter. The higher blended grape cost is expected to subside in Q4 FY27 and fully normalize from Q1FY28 onwards. So, the full impact will be felt in FY28 as the grape mix rebalances following Harvest 27.
- Gross profit declined 5% YoY, primarily due to higher grape procurement costs. As part of its strategy to reduce wine carryover inventory, Sula consciously avoided sourcing table grapes from the open market during the 2026 harvest. Consequently, the procurement mix shifted sharply towards wine grapes, which accounted for ~100% of total grapes procured vs. ~80% in previous years, resulting in an estimated ~150bps impact on gross margins.
- The adverse grape-cost mix is expected to weigh on profitability over the next couple of quarters. However, management expects the impact to subside from Q4FY27 onwards, as the procurement mix normalizes with the inclusion of table grapes from the 2027 harvest. The second reason was an adverse geographical mix, which further impacted gross margins by ~200bps, as strong double-digit growth in relatively lower-margin markets such as Telangana, Haryana, Chandigarh, CSD, and exports outpaced growth in the company's higher-margin core markets of Maharashtra and Karnataka. The shift in sales mix towards these markets resulted in additional pressure on gross profitability during the quarter.
- Strengthening the premium portfolio: Sula expanded its Source portfolio with the launch of two new variants—The Source Chardonnay and The Source Grenache Red. Together, The Source and Rāsā now contribute an all-time high of 16% of Own Brand sales, highlighting strong consumer traction for the company's premium offerings.
- Strong traction for new launches: Within the Sula Classics portfolio, Sula Merlot and Sula Muscat Blanc recorded >100% YoY growth in Q1FY27, albeit on a relatively small base, indicating encouraging acceptance of the newer offerings.

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- CSD expansion: Sula received preliminary approval for five additional brand listings under CSD, taking the total approved portfolio to 14 wines from the existing 9. Management expects to complete the listing process and launch the additional brands by Q3FY27, providing an incremental growth opportunity for the Own Brands business.
- Wine Tourism remained a strong growth driver, with revenue increasing 12% YoY to ₹15.5 crore in Q1FY27. The segment now contributes around 13% of overall revenue, while including wine sales through tourism properties, its contribution exceeds 20%, highlighting its growing strategic importance to Sula's growth.
- Growth during the quarter was driven by higher room revenue following the successful launch of the third resort, The Haven, in Q3FY26, along with increased per-guest spending by day visitors.
- Resort occupancy stood at ~63% during Q1FY27. Excluding the recently launched The Haven, occupancy remained healthy at >70%, indicating sustained demand across Sula's established wine tourism properties. As The Haven matures and occupancy improves, management expects further growth in the segment.

Risks

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

View

Sula Vineyards reported a mixed Q1FY27 performance, with revenue growing 3% YoY, supported by a recovery in the Own Brands business and continued double-digit growth in Wine Tourism. The Elite & Premium portfolio remained the key growth driver, growing 6% YoY, with its contribution to Own Brand sales increasing by 310bps to an all-time high of 78%, highlighting continued premiumization.

However, near-term profitability remains under pressure. Gross profit declined 5% YoY, while EBITDA declined 9% YoY, impacted by higher grape procurement costs and an adverse geographical mix. The shift towards wine grapes accounted for ~150bps of gross margin pressure, while the increasing contribution from relatively lower-margin markets such as Telangana, Haryana, Chandigarh, CSD and exports resulted in a further ~200bps impact. Management expects the higher grape-cost impact to persist over the next couple of quarters, with normalization expected only from Q4FY27 onwards.

The near-term earnings trajectory remains challenging. The combination of subdued overall industry growth, continued pressure on the Economy & Popular portfolio, elevated grape costs, adverse market mix and delayed margin recovery could constrain earnings growth over the next few quarters. **We therefore recommend investors EXIT the stock.**

Following this recommendation, we are terminating our active coverage of Sula Vineyards Ltd. at this stage. We will revisit the company if there is a meaningful improvement in volume growth, recovery across core markets, normalization of grape costs, and sustained improvement in profitability, which could provide greater visibility on the company's earnings trajectory.

WAY2WEALTH Research Desk

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Quarterly Performance

(₹ crs)

Particulars	Q1FY27	Q1FY26	VAR	Q4FY26	VAR	FY26
Gross Sales	**120.79**	**118.29**	*2.1%*	**142.56**	*-15.3%*	**596.19**
Excise duty on Sales	7.91	8.65	*-8.6%*	7.65		40.32
Net Sales (Net of Excise Duty)	**112.88**	**109.64**	*3.0%*	**134.91**	*-16.3%*	**555.87**
Other Operating Income	0	0	-	0	-	0
Total Operating Income	**112.9**	**109.6**	*3.0%*	**134.9**	*-16.3%*	**555.9**
Other Income	2.38	0.98	*142.9%*	1.61	*47.8%*	4.33
TOTAL INCOME	**115.3**	**110.6**	*4.2%*	**136.5**	*-15.6%*	**560.2**
Total Raw Material Cost	35.6	28.5	*24.7%*	34.1	*4.4%*	166.8
Cost of Raw Material & Components Consumed	12.4	10.28	*20.6%*	71.96	*-82.8%*	110.23
(Increase)/ Decrease in Inventories	16.03	9.85	*62.7%*	-51.01	*-131.4%*	15.04
Purchase of Traded Goods	7.16	8.41	*-14.9%*	13.14	*-45.5%*	41.54
Total Raw Material Cost % to Sales	*31.5%*	*26.0%*		*25.3%*		*30.0%*
Employee Cost	22.01	23.35	*-5.7%*	20.91	*5.3%*	91.71
Employee Cost % to Sales	*19.5%*	*21.3%*		*15.5%*		*16.5%*
Other Expenses	24.76	23.97	*3.3%*	32.63	*-24.1%*	111.36
Other Expenses % of Sales	*21.9%*	*21.9%*		*24.2%*		*20.0%*
TOTAL EXPENDITURE	**96.3**	**91.3**	***5.4%***	**107.7**	***-10.6%***	**452.4**
EBIDTA	**16.6**	**18.3**	***-9.3%***	**27.2**	***-39.0%***	**103.4**
EBIDTA Margin %	***14.7%***	***16.7%***	***-2.0%***	***20.2%***		***18.6%***
Finance Costs	7.18	7.51	*-4.4%*	7.14	*0.6%*	31.39
PBDT	**11.8**	**11.8**	***0.3%***	**21.7**	***-45.6%***	**76.4**
Depreciation, Amortization & Impairment	10.28	9.21	*11.6%*	10.08	*2.0%*	39.17
PBT before Exceptional Items	**1.5**	**2.6**	***-40.6%***	**11.6**	***-86.9%***	**37.2**
Exceptional Items			-	0.12	*-100.0%*	1.82
PBT after Exceptional Items	**1.5**	**2.6**	***-40.6%***	**11.5**	**0.1**	**35.4**
Tax	0.46	0.62	***-25.8%***	3.41	***-86.5%***	9.74
Tax Rate %	*30.3%*	*24.2%*		*29.7%*		*27.5%*
Reported Profit before share in profit of joint venture	**1.1**	**1.9**	***-45.4%***	**8.1**	***-86.9%***	**25.7**
PAT Margin %	**0.9%**	**1.8%**	***-0.8%***	**6.0%**		**4.6%**
Share of net profit/(loss) in Associates and Joint Ventures using equity method						
Net profit for the period	**1.1**	**1.9**		**8.1**		**25.7**
Other Comprehensive Income (net of tax)	**0.0**	**0.0**		**1.6**		**1.9**
Total Comprehensive Income	**1.1**	**2.0**	***-44.4%***	**9.7**	***-88.7%***	**27.6**
EPS	**0.13**	**0.23**	***-45.4%***	**0.96**	***-86.9%***	**3.04**
Equity	16.9	16.9	*0.0%*	16.9		16.9
Face Value	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 11 August 2026

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