

29th Aug 2025

CMP – ₹247.7/-

View – **Hold**

Q1FY26 Performance

- Gross revenue from operations decreased by 8% YoY to ₹1,183mn led by slowdown in urban demand. Owned brands' revenue declined 10.8% YoY due to contraction in exports & lower WIPS. Elite category remained flat YoY to ₹765mn. Wine Tourism reported another record quarter with revenue at ₹137mn (+22% YoY)
- Share of Elite & Premium improved to 75% vs. 71% last year.
- Wine tourism reported highest ever Q1 to ₹137mn (+22% YoY) led by healthy occupancy at 82% with ARR at ₹9,007 which led to 12% increase in footfalls.
- EBITDA declined by 46% YoY mainly due to higher COGS and changes in the mix of Elite/Premium vs. Economy/Popular. EBITDA margin declined 1089bps to 15.5% YoY impacted by high-cost inventory and higher COGS. PAT declined 87% YoY to ₹19mn.

Important Statistics

Nifty	24,501
Sensex	80,080
Close* (₹)	247.7
M.CAP (₹ crs)	₹2,091
52 Week H/L (₹)	₹511/243
NSE Code	SULA
BSE Code	543711

Close* as on 28th August 2025

Shareholding pattern (%) Jun'25

Promoter	24.35
FII	06.68
DII	18.24
Public & Others	50.72

Key takeaways from Q1FY26 result

- Macro Environment**
 - Urban demand remained weak**, dragging overall performance.
 - Some states showed healthy growth despite macro softness.
 - Wine Tourism performed well**, with higher resort occupancy and guest spending.
- Margins**
 - Gross margin** declined 450 bps in Q1 FY26 due to a shift in wine sourcing for the Wine Tourism business (moved from intra-group to third-party distributor).
 - Management expects a **200-bps operating margin improvement** in H2 FY26.
 - Quarterly margin fluctuations are largely due to changes in the mix of Elite/Premium vs. Economy/Popular wines.
- Material Costs & Inventory**
 - COGS** rose 20%+ in Q1FY26 due to the new sourcing model.
 - Higher-cost inventory from last year is still impacting margins, but this should normalize in H2.
 - Initiatives are underway to reduce raw material costs and improve manufacturing efficiency.
 - Lower inventory levels plus reduced capex should limit further debt increase.
- Competition**
 - Intense discounting in **HORECA** (e.g., "buy one get one" offers) continues to pressure the market.
 - Sula avoids excessive discounting, focusing on brand strength – easier in retail than in HORECA.
 - Despite competition, Sula gained market share in FY25 and appears to have maintained gains in Q1FY26.
 - Jacob's Creek remains a competitor, with distribution by Pernod Ricard expected to continue.

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
SULA	(49.1)	(25.2)	NA
Nifty 50	(2.2)	41.5	110.3
SENSEX	(2.0)	38.1	102.9

Financials

(₹ mn)				
Particulars	FY24	FY25	FY26E	FY27E
Revenue	6086.6	6194	6167	6843
EBITDA	1759	1491	1527	1791
EBITDA Margin	28.9%	24.1%	24.8%	26.2%
PAT	933	702	656	836
EPS	11	8.3	7.8	10.5
ROE	12.3	12.3	10.8	12.8
P/E	22.5	29.8	31.8	23.6

Source: Company, Way2wealth Research

Ashwini Sonawane
ashwinisonawane@way2wealth.com

91-22-4019 2913

➤ Market Share

- Sula gained market share in FY25 and early FY26 across key corporate markets.
- Strategy: Defend share while leveraging Wine Tourism as a **competitive moat** against imports.

➤ Capex:

- Future **capex to stabilize at ~₹350mn annually**, down from ₹500–600mn in recent years.
- Major investment phase is over; focus now on debt containment.

➤ Pricing & Product Development

- Launched **Sula Muscat Blanc**, India's first low-alcohol still Muscat wine (7.5% ABV), priced at ₹875/bottle in Maharashtra.
- The **Source** brand continues to perform well in HORECA, priced between ₹1,000–1,500 MRP.
- Further product launches are planned of the festive season.
- In March, four new Elite labels were added to the CSP portfolio, taking the total to nine.

➤ Guidance

- Management refrained from giving forward-looking guidance, stating only that they are "working hard to return to growth."
- The only specific guidance was around **capex**, which is expected to moderate to ~₹35crs annually (vs. ₹50–60crs earlier).
- Operating margins are expected to improve in **H2FY26**, driven by:
 - Removal of WIPS accrual caps
 - New Wine Tourism property openings
 - Cost efficiency measures in manufacturing and operations.

Risks

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

View

In Q1, revenue from operations declined 8% YoY to ₹1,183mn, impacted by weak urban demand. Additionally, the excise duty hike on spirits in Maharashtra led to heavy pre-stocking by trade ahead of revised prices, temporarily restricting wine placements in June. The shift in the wine sourcing model for the Wine Tourism business (effective Q3FY25) further raised COGS by 500 bps.

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.

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. We continue to believe in the company's long-term growth prospects. **At its CMP of ₹247.7/-, the stock trades at 23.6 FY27E P/E and EPS of ₹10.5 and recommend investors to hold the stock.**

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Quarterly Performance

(₹ mn)

Particulars	Q1FY26	Q4FY25	QoQ	Q1FY25	YoY
Revenue from operations	1183	1331	-11%	1284	-8%
Expenses					
Cost of materials consumed	103	778	-87%	117	-12%
Purchase of stock-in-trade	84	111	-24%	30	179%
Changes in inventories of finished goods, work-in-progress and stock-in-trade	99	-672	-115%	87	14%
Excise duty on sales	87	74	17%	75	15%
Employee benefits expense	234	209	12%	239	-2%
Other expenses	395	547	-28%	398	-1%
Total Expenses	1000	1046	-4%	946	6%
EBITDA	183	285	-36%	339	-46%
<i>EBITDA Margin</i>	<i>15.5%</i>	<i>21.4%</i>	<i>-591.36bps</i>	<i>26.4%</i>	<i>-1089.20bps</i>
Other Income	10	10	-3%	13	-22%
Depreciation	92	87	5%	86	7%
EBIT	101	207	-51%	265	-62%
Interest Expense	75	72	5%	71	6%
PBT	26	136	-81%	194	-87%
Tax Expense	6	5	17%	49	-87%
PAT	19	130	-85%	145	-87%
EPS	0.2	1.5	-85%	1.7	-87%

Source: Company, Way2wealth Research

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Disclosure of Interest Statement : Sula Vineyards Ltd (SULA) as on Aug 29, 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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