

# MSEARCH

## IPO OFFERING

### Sula Vineyards Limited



### About Company

### Recommendation: Subscribe for Long term

Incorporated in 2003, **Sula Vineyards Limited (SVL)** being the "consistent market leader in the Indian wine industry" with 52% market share is the largest wine producer and seller as of March 31, 2022. Company's business consists of (i) the production of wine, the import of wines and spirits, and the distribution of wines and spirits (the "**Wine Business**"); (ii) the sale of services from ownership and operation of wine tourism venues, including vineyard resorts and tasting rooms (the "**Wine Tourism Business**"). Sula distributes wines under a bouquet of popular brands such as "RASA", "Dindori", "The source," "Satori", "Madera" & "Dia" with its flagship brand "**Sula**" being the "category creator" of wine in India. Currently, the company produces 56 different labels of wine at 4 owned and 2 leased production facilities located in Maharashtra & Karnataka. They have built the largest distribution network among wine companies in India, with close to 13,000 retail touchpoints across the country. As of September 2022, SVL has entered into long-term supply arrangements with grape growers for approximately 2,290 acres.

Price Band	: Rs 340 to 357/- per share
Bid Lot size	: 42 Shares
Issue size	: Rs 960 Cr
Face Value	: Rs 2/-
Min App Amount	: Rs 14994/- at upper band
Issue Period	: 12 <sup>th</sup> December to 14 <sup>th</sup> December 2022
Indicative credit of equity shares	: 21-12-2022
Indicative listing date	: 22-12-2022

**Important Note:** All retail applications compulsory in UPI mode\*. Currently IPO through UPI Mechanism in Retail Category is available only on BHIM App. Application made using third party UPI Id Or ASBA Bank A/c are liable to be rejected.

**Msearch View & Recommendation:** We conclude that with its renowned brand name "SULA" the company is well established in wine business with the widest and innovative product offering supported by its efficient production mechanism. We also believe that it has high entry barrier due to the nature of the product, as well as trade barriers in the alcoholic beverage market so it is smooth for the company to maintain its leadership in long run. On valuations parse at upper price band (Rs 357/-), the issue is asking for a market cap of Rs 3006 Cr and based on FY23 annualized, P/E stands at 49x which seems the issue is aggressively priced given a short track record of profits. However the concerns are low promoter holdings (27% post IPO), regulatory risks related to liquor industry & high volatile operating margin. But considering the lower wine penetration in the domestic market and expanding target population, we believe the domestic wine market has headroom for growth. Sula being the largest producer & seller of wine is well placed to capture the future growth opportunities in the Indian wine market. Hence, considering all the rationales, we advise investors to "**SUBSCRIBE only for Long term**".

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BASIC FINANCIAL DETAILS				
Particulars Rs (in Cr)	2020	2021	2022	Sept'30 2022 (06)
Equity Share Capital	15.04	15.08	15.72	16.32
Reserves as stated	284.90	289.66	379.54	432.87
Net worth as stated	299.95	304.74	395.26	449.19
Revenue from Operations	521.63	417.96	453.92	224.07
Revenue Growth (%)	-	(19.87)%	8.60%	40.79%
EBITDA as stated	50.49	64.51	116.07	64.31
Profit Before Tax	(17.40)	3.19	69.54	41.26
Net Profit for the period	(15.94)	3.01	52.14	30.51
EPS (Rs )	(2.09)	0.40	6.79	3.76
RONW%	(5.23)%	0.98%	13.19%	6.79%
NAV (Rs )	39.88	40.42	50.29	55.05

Data as on 31<sup>st</sup> March 2022

Source: Company RHP

COMPARISON WITH LISTED INDUSTRY PEERS Rs (in Cr)								
Companies	Mcap (in Cr)	FV	Revenue from operation FY 2022 (in Cr)	EPS	NAV	P/E	P/Bv	RoNW
Sula Vineyards Ltd	3006	2	453	6.53	55.34	52.54	7.60	11.45%
United Spirits Ltd	14545	2	31061	11.68	67.09	76.14	7.08	16.63%
Radico Khaitan Ltd	68151	2	12470	19.70	149.46	53.36	12.01	13.18%
United Breweries Ltd	46956	1	13123	13.82	148.99	119.83	11.89	9.29%

Data as on 31<sup>st</sup> March 2022, Mcap: Cline, P/E, P/BV calculated as on 31<sup>st</sup> March 2022



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Msearch's Recommendation (Absolute Performance) Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months Sell : < -20% within the next 12 Months

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