



Date: May 10, 2023

To,
National Stock Exchange of India Limited (“NSE”),
The Listing Department
“Exchange Plaza”, 5th Floor,
Plot No. C/1, G Block, Bandra-Kurla
Complex
Bandra (East), Mumbai – 400 051.
NSE Symbol: SULA
ISIN: INE142Q01026

To,
BSE Limited (“BSE”),
Corporate Relationship Department,
2nd Floor, New Trading Ring,
P.J. Towers, Dalal Street,
Mumbai – 400 001.

BSE Scrip Code: 543711
ISIN: INE142Q01026

Sub: Transcript of the Conference Call for analyst/institutional investors for discussing Audited Standalone and Consolidated financial results for the quarter and year ended March 31, 2023

Dear Sir/Madam,

Pursuant to Regulation 30(6) of the SEBI Listing Regulations, please find enclosed the transcript of the Analyst / Investor Conference Call held on Thursday, May 4, 2023 with regard to the Audited Standalone and Consolidated financial results for the quarter and year ended March 31, 2023.

The said transcript has been uploaded on the Company’s website at the following link:
<https://sulavineyards.com/investor-relations.php>

Kindly take the same on record.

Thanking you,
For Sula Vineyards Limited

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PRAMOD
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RUCHI PRAMOD
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Ruchi Sathe
Company Secretary and Compliance Officer
Membership No.: A33566



Sula Vineyards Limited

(formerly known as Sula Vineyards Private Limited)

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**“Sula Vineyards Limited
Q4 FY '23 Earnings Conference Call”
May 04, 2023**

**MANAGEMENT: MR. RAJEEV SAMANT – FOUNDER AND CHIEF
EXECUTIVE OFFICER – SULA VINEYARDS LIMITED
MR. CHAITANYA RATHI – CHIEF OPERATING OFFICER
– SULA VINEYARDS LIMITED
MR. BITTU VARGHESE – CHIEF FINANCIAL OFFICER –
SULA VINEYARDS LIMITED**

MODERATOR: MR. DIWAKAR PINGLE – ERNST & YOUNG



Moderator:

Ladies and gentlemen, good day and welcome to Sula Vineyards Limited Q4 FY23 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Diwakar Pingle from EY Investor Relations. Thank you and over to you, sir.

Diwakar Pingle:

Thank you so much, Tanvi. Good afternoon, friends. We welcome you to the Q4 FY23 Earnings Call of Sula Vineyards Limited and it's also noteworthy that this is our first earnings call post-our listing. To take us through the results and to answer your questions, we have with us the top management from Sula, represented by Rajeev Samant, founder and CEO, Chaitanya Rathi, Chief Operating Officer, and Bittu Varghese, Chief Financial Officer. We will start the call with a brief overview of the year gone past by Rajeev, which will give you a broad highlight of the business trends and what he's observing in the market. And post this, we'll open it up for Q&A session.

The discussions that we have today may contain forward-looking statements relating to future events and future performance. Numerous factors could cause actual results to differ materially from those in the forward-looking statements. New factors emerge from time to time and it's not possible for management to predict all such factors as is the extent to which any combination of factors may impact Sula's business or cause results to differ materially from those contained in any forward-looking statement. Sula also undertakes no obligation to update any forward-looking statement to reflect developments that occur after the statement is made. With that said, I'll now hand over the floor to Rajeev. Over to you, Rajeev.

Rajeev Samant:

Thanks, Diwakar. Good afternoon to all of you from Mumbai. I'm just going to talk a little bit about our first earnings call, our first full-year earnings since we went public just around four months ago. It's been a terrific year. It has, of course, been a landmark year for Sula, not only because we went public and are now the only listed wine company in India, but it has also been a remarkable year on so many fronts. From a financial perspective, it's been a record-breaking year for us on almost all financial fronts.

A quick look at the key highlights of the year, our revenue was up 22% over the previous year, a very strong EBITDA margin at just over 29% that has grown from just about 25% the previous year, so around a 350 bps growth in that. Our PAT margin at 15.2%, again, a growth of about 370 bps over FY22. Our EPS grew to around INR10.18 paise from around INR6.80 the previous year, so a 50% growth in our EPS. Some of the salient features here, as you know, we have been talking about our focus on our Own Brands and within that, our most premium brands. That is really the focus of our business.

We did have, a few years ago, a very sizable imports and third-party brand distribution business and we have really hiked that off over the last couple of years. And this year, really, our own



brands business has totally come into its own. So Own Brands revenue growth is at 26% and now that constitutes 87% of our revenue. Out of this, elite and premium, which are the two most important categories for us, have contributed 72% and they have grown even faster than the overall own brands. They have grown at 29% Y-o-Y. We crossed one million cases, which is, of course, a landmark for wine company, with a volume growth of a shade under 20% Y-o-Y. Wine tourism is our other big pillar. That is what really drives more and more people to sampling and tasting our wines for the first time and this has been a huge success for us. We are arguably the most visited vineyard in the world at our Nashik campus and this year, numbers bounced back just a shade under 3.5 lakh visitors.

Our wine tourism revenue has grown handsomely, 30% Y-o-Y and tastings, which is a big focus for us. I mean, the main way that we have to get people to become wine drinkers is to just taste their first glass of wine and understand the few basic facts about it. We did 1.7 lakh individual tastings across the country, up around 80% from the previous year. That is a stat that I'm particularly happy about and that bodes very well for the future.

I'm going to quickly take us through our P&L for the year and for Q4. Starting with the year, revenue from operations, as I said, up 21.9%. Within that, 26% is Own Brands, and then even for Q4, our total income up 7.1%, but within that, Own Brands up 14.5%. Wine Tourism for the year, up 30%. For Q4, up 18%. So very strong numbers on our most important revenue streams, which is really what the future of this company is all about. It's about own brands, it's about own premium brands and it's about Wine Tourism, and we are firing on all fronts. EBITDA, strong growth, 38% growth, Y-o-Y, and in Q4, 8% growth, to an unprecedented 29% EBITDA margin.

And profit before tax, jumping 64% to INR114 crores, EBITDA was at a shade under INR161 crores and PAT for the year at around INR84 crores, a 61% jump from the year before. Q4, PBT at INR20 crores, and PAT at INR14 crores. EPS, increasing to INR10.18 paisa, a 50% increase over the previous year.

So today, the company is in a very strong financial shape. These are some of the metrics. You see the growth in top line, especially after leaving behind the revenue from a subsidiary which we had acquired, and then let go of a distribution business, which we realized was not our business about three years ago.

Top right side, revenue split by business segments, this is something that really shows how the company is going. Three years back, 63.6% was Own Brands, this year 86.9%, so a huge jump in our Own Brands business today, Own Brands plus Winery Tourism together are at 95%. So that is of course unprecedented. Then within Own Brands, bottom right, by categories, you see that Elite and Premium has gone up from 67.8% three years prior to 72.3% percent. So steadily increasing every year and that's a big reason why you see the handsome growth in our margins.

Strong financial performance on all our metrics. Gross margin, rising to 66.7%, extremely strong from just 48% three years before. EBITDA margin, of course we had COVID comparables three years before, that doesn't really exist. But really last year was our strongest margin ever at 25.6%, and this year we've hit that out of the park with 29.1%. PAT margin, again rising very strongly



and on other metrics like return on capital employed, very pleased to say that we are now up to 23% ROCE, a very strong ROE again very strong, 15.8% and our leverage ratio has been getting better and better today at a very comfortable 1.2x debt to EBITDA, and we're very comfortable to remain at this level.

Sula is the undisputed leader in wine in India today, really leading the way on all fronts, 60% plus market share in the segments above INR700, which is our Premium and Elite, which is really the segments that we are very focused on. The lower price segments, INR300, INR400, INR500, though we are the dominant market player here, it is not as exciting a business because there is a very high competition, large number of less organized players with a lot of discounting. So we prefer to focus on a space where quality matters, brand matters, and we're looking at a slightly more discerning audience, and Sula really wins in that space.

Quick look at a few of our metrics here. We are among the Top 15 most followed vineyards in the world on Instagram, so our whole digital marketing push has been, during this pandemic and coming out of it, has been incredibly successful. We've been very focused on digital, and you can see these numbers, 123,000 followers on Insta and on Facebook, all organic. I'm very pleased to say none of this is promoted followers or inorganic, it's all organic growth and organic followers. You have a look there at our points of sale, distributors, we are today in every single non-dry state in India, as well as of course in CSD.

If you look top right side, the sale is very focused on off-trade, which is good news because of course on-trade usually requires a little bit more incentives and discounts, so usually the realization from off-trade is better, and we very much dominate the off-trade even more than we do the on-trade. Let's move on.

Quick look at our Wine Tourism business, I've already spoken about this. This is a great D2C channel, people come, they taste, and then they buy right there, and you can see that we basically sell only Elite wines here, so only wines that cost more than INR1,100, and it's very interesting for us, we get direct insight into what our consumers and clients are looking for. Strong occupancy, strong visitor numbers, and we are adding rooms, I think we'll be adding around 30 rooms in this quarter as well, so that will play out in the FY24. Let's move on.

Sustainability is a very key focus area for us, we are very aware of the fact of global warming, climate change, we're in wine, it's an agri-business, it is therefore definitely exposed to such factors and we have been doing a lot to mitigate all of these to adapt and to be prepared and resilient in the face of these factors, that's an image of our winery at Nashik, I hope that a number of you have had an opportunity to visit it, and you can see every single inch of roof almost plastered with solar panels, that just gives you an idea of the kind of company and winery that we are. Let's move on.

Our key business strategies for now and the future, focus on our own brands, within that premiumization, most important to increase awareness of wine and penetration across especially India, we are very much focused at this point on India, only 3% of our sales is export, 97% is India today. To penetrate Tier 1 and Tier 2, move away from the high dependence on metros,

use digital media to the max to increase that awareness, have sustainability and climate change be the heart of our strategy. Continue looking for strategic investments wherever possible, we are always open to those conversations and a big focus on wine tourism, not necessarily only for the revenue and profits that it brings in, but mainly to introduce as many Indians as possible to this beautiful category of wine. We have been helped a lot recently with the opening up of Nashik and Shirdi airports to flights from all over India, that's helping a lot.

Go ahead, Diwakar.

Diwakar Pingle:

Thank you Rajeev. Tanvi, you can now open it up for Q&A.

Moderator:

Thank you. The first question is from the line of Chirag Shah from CLSA. Please go ahead.

Chirag Shah:

Thank you. Congrats Rajeev and team and thank you for taking my question. I think my question is more around the factors which will drive margins going forward. So in that context, how do you think about selling, distribution and marketing expenses going forward? There is clearly a need to hike that. So how do you see that as a percentage of revenues?

The second part is how is the grape season, buying season going and how are the prices compared to the last year? Third is, have we taken any pricing action across our existing products and then how do we look at the mix going forward? I think these are the three or four factors that will drive margins going forward. So just trying to get a sense around these factors.

Rajeev Samant:

Yes, Chirag, good to hear from you. Thank you for your kind message for the team. In terms of margin, we definitely plan to expand our marketing efforts and spend significantly. You already know that in FY '23, there was a big jump compared to '22 and in '24, there will be a further big jump. Marketing is something where we are going to continue to be very focused on.

In terms of general sales expenses, apart from marketing, we don't expect that to go up much now as a proportion of sales. We are already pretty high there and we are doing well in relation to the market. So in fact, I would suggest that a big jump in marketing, which of course is not to the extent of S&D, but S&D has really hit already a good level in terms of proportion to revenue and therefore perhaps a slight moderation in margins going forward, but I don't expect a big moderation. So that's on that front.

In terms of the harvest and grape sow, I'm very pleased to say, it's been a very strong harvest. We have everything we want and more in terms of quality as well as quantity. So we are well set for the next 18 months. The other thing I would like to note is if anything, we did complete our winery extension well in time for the harvest and we filled all our tanks. So we have a nice buffer as well. We are cognizant of the fact that some people are forecasting maybe a weak monsoon, El Nino, delay, deficient. We are well placed for that. At this point, the reservoirs in Nashik are pretty full compared to normally on this date. Plus, we have a little excess buffer as per our strategy in the tank. So in a very good position for the, I would say, for the next two years to come.



There was a third question. Price increase. We have taken some price increase in FY '23, generally not more than 5%. But in our main free pricing markets of Maharashtra and Karnataka, which is, of course, as you are aware, is more than 60% of our sale. We have taken around 5% increase and the market has accepted this with no problem at all. Of course, this is an increase that's lower than inflation. And generally, I am very happy to be looking at price increases lower than inflation because we are a bit more fortunate than a lot of other consumer companies in that we have not faced the kind of inflation on our inputs, on our COGS as a lot of others have. Thank you.

Chirag Shah:

Right. And on the mixed change part, how do we see the product mix changing? Of course, we have seen a massive premiumization happening in FY '23. How does that look going into the next couple of years?

Rajeev Samant:

As I showed you, it's been a fantastic trajectory. I think 72% was where we are in FY '23. We expect that trajectory to continue. Perhaps you won't see as strong gains every year as you've seen in the last four years or five years. But we do expect that every single year, we should expect elite and premium to continue to grow vis-a-vis economy and popular.

Moderator:

The next question is from the line of Percy Panthaki from IIFL Securities. Please go ahead.

Percy Panthaki:

Hi, and congrats on a good set of numbers. My first question is on your view on how you view -- how you look at the competition from foreign brands at the lower end of their spectrum. So let's say, INR1,500 to INR1,800 or INR2,000, there are a few foreign brands in that segment, which sort of compete with your Elite portfolio. And they are also striving to increase their distribution. So what would you say, are your USP versus those brands and how you would convince the consumers to prefer your brands rather than the imported ones?

Rajeev Samant:

Yes, good question. I think that first and foremost, quality speaks. And I think that rupee-for-rupee, at anything today, less than INR2,000 on the shelf, Sula's quality is in fact superior to anything else that you're going to get. I say that with conviction. Of course, you will have those consumers who will prefer imported brands. There's no doubt about that. You will also have those consumers who are discerning, who will judge a wine on its merits and on its quality, and will pick our wines. And you see that in the growth of our sales at price points above, say, INR1,200, very strong growth.

It's been a great launch for our RASA brand specifically, as well as our Source. Our Source Cabernet Sauvignon, at around INR1,200, is the fastest growing wine in our stable. It's had phenomenal growth this past year. So we've proven that we can successfully roll out brands at this price point, take the imports on head on, and we should not be scared of our imports. In fact, we have to gird our loins to compete. And I take that as a challenge for ourselves. It's not going to go away. And I think we've shown that we can do it successfully.

Percy Panthaki:

Next question is on the glass prices. Basically, the glass prices had gone up very steeply on account of inflation in the gas prices. But now the gas prices have come off very materially. So what kind of benefit do you see in your business because of this? If you could quantify that, please?



Rajeev Samant:

So in FY '23, we were able to keep our glass prices under control. We have recently seen some increase in glass prices. But as you say, it's such a moving target. What we have tried to do this year is not to sign a contract for an entire year's pricing. We prefer to push for a shorter timeline so that we can then also capture the decline. The good news in our case is that glass is a much smaller proportion of our COGS in most of our wines compared to most other alcobev brands. So for instance, beer, glass is a much higher percentage of COGS than in the case of wine. So we have a lot of protection there. But yes, there has been some increase, a small increase in our glass prices over just this past one month. But we are expecting to see moderation down the road. No significant impact.

Moderator:

Thank you. The next question is from the line of Devansh from SIMPL. Please go ahead.

Devansh:

Yes. Thanks for the opportunity. So just in case of like, now we are almost 60% market share already. So further gains from here, where can it come from? And can you just elaborate a bit more on your strategy here?

Rajeev Samant:

So further gains have to come now from wine gaining share of Alcobev-throat. So wine, as you are fully aware, we keep talking about wine being barely 1%. But the way we see it, given the fact that there are better-and-better wines being made in India, distribution is increasing day-by-day, awareness is increasing day-by-day, driven by great visibility, even in a lot of OTT shows, etc. and the kind of firm marketing activities that we are doing, we are seeing the market share going up, it has been going up inexorably and inevitably. And we hope that we can get to somewhere, maybe even 2% in the next six years or seven years. And that in itself would be more than doubling or tripling of our business from here. So we are not looking necessarily to make further gains in market share, though it could be nice, but it's not a big focus for us, for us being the market leaders with 60% market share, it's much more important to grow the overall market. And that's what our focus is.

Devansh:

And in case of working capital, is there a room for further optimization in case of inventory? How do you see that going forward?

Chaitanya Rathi:

Yes, so, we are the calculation of inventory days is a forward-looking number. Whereas the wine is crushed in the months of January to March. So on 31st March is when we are sitting with the highest level of inventory for the entire sales of next year. So to sum up, you expect it to stay pretty much the same moving forward. Not too much gain in that.

Moderator:

Thank you. The next question is from the line of Raunak Vora from AUM Advisors. Please go ahead.

Raunak Vora:

Hi, sir. Pardon me, I'm new to the industry and the company. What I want to understand is how much is the wine consumption in the overall alcohol consumption in India as of today?

Chaitanya Rathi:

Wine still forms a small part of the share of throat. So, just referring to Rajeev's previous statement, we are about 1% of the share of throat of Alcobev currently.



- Raunak Vora:** Okay. And secondly, will you be able to quantify the volumes in the press release or something? You have given the growth number, but in terms of sales, so, we also do get to know how the ASPs of our bottles are going up with more premiumization.
- Chaitanya Rathi:** So, Rajeev again mentioned this in his presentation. We have done about 10.6 million cases of wine produced and sold in FY '23. Sorry, 1.6 million cases of wine produced and sold.
- Rajeev Samant:** So, his question was, is it there in the press release? And we do have some volume numbers that we haven't noted. So, we'll just say we crossed about a million and this year the volume growth was around 18%. 18% over the previous year. So, that is a bump of about 8% in value terms on top. So, value grew around 26% and volume grew around 18%.
- Moderator:** Thank you. The next question is from the line of Himanshu Shah from Dolat Capital. Please go ahead.
- Himanshu Shah:** Can you outline, we have spent around INR80 crores on capex this year. There has been no room addition in wine business. So, where this capex has been spent and the outlook for capex for FY '24 also?
- Rajeev Samant:** So, the capex, a large part of that was spent to build a new winery cellar. We had basically reached the limit of our previous building. So, on our previous 14 million litre capacity, we added another building of 6 million and then tankage in that of around 2.2 million litres of capacity. So, that was one big project that we had in FY '23. Do you remember the total amount that was on that?
- Chaitanya Rathi:** 16.7 million litres of capacity. INR32 crores.
- Rajeev Samant:** So, INR32 crores out of the INR85 crores was spent on that in FY '23. In FY '24, we expect to do about INR55 crores in capex. So, just to put it in perspective, between '23 and '24, it will be INR140 crores total, which will be our largest two-year spend on capex ever. It does, sometimes it is a little bit bumpy. You might in one year build out a lot of more capacity and then in the next year, you do not have to do that because we do not want to be a constant, continuous building site. So, about INR140 crores over these two years, FY '23 and FY '24.
- Moderator:** Thank you. The next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead.
- Darshil Jhaveri:** Hello. Congratulations on a great set of results. So, sir, my question was regarding the revenue targets for the next one, two years. So, how do we see our growth as well as vis-a-vis, how do you see our market growing? Like, if you could just help us quantify how much is the wine market growing in India and how much do we expect to grow in the next two years?
- Rajeev Samant:** So, as per Technopak, I will refer to them because in our IPO document also, they had given their projections. So, I think that they are seeing something like a 15% volume growth going forward these next two, three years with a value growth of something higher than that. So, I think that at this point, as I pointed out, we are not focused on gaining market share beyond 60%.



It might happen and we will be happy, we will take it. But I would say something like that is something that we would be comfortable with.

Darshil Jhaveri: So, just to clarify, we would expect around a 15% revenue growth for the next upcoming year in terms of volume and maybe our value might be higher as we go more towards premiumization?

Rajeev Samant: Yes. So, value should be higher than that.

Moderator: Thank you. The next question is from the line of Amrish Kacker, Individual Investor. Please go ahead.

Amrish Kacker: Congratulations for a good start. I am trying to understand the relationship between capacity and volume sold, primarily to forecast future volume. So, we had a 14 million capacity and we sold about 9.55 million litres. So, there's a bit of a gap there and subsequently, we're going to 16.2 in a FY '24 capacity. So, is there somewhere to understand this relationship a little better to then forecast, at least management's view based on how you're adding capacity and therefore what you're probably seeing as possible demand?

Rajeev Samant: Yes, that's a good question. So, in wine, you need about a 25% buffer. So, generally what happens, you know, your grapes come in, you have a certain amount you require for fermentation, then you have different tanks, many different wines. So, you need a lot more buffer in wine than what you would typically need in beer, for example. So, I would say around a 25% buffer is what you typically need at harvest. So, you can take that into consideration. The other thing is, remember that with wine, we are making wine that we're then selling out over the next 18 to 24 months.

So, when we look at our capacity, we can't look at just the capacity we'll need in the year to come after the harvest. We'll have to look at it in the two years after the harvest. So, you know, we don't want to miss out on opportunity. We have sometimes built a little bit more, and that's okay. We can always, in the good years, crush a little bit more grapes. There are grapes available, fill up our tanks, and that gives us a buffer in the not so good years in case of a deficient monsoon. So, yes, it does look this time like it's a little bit of excess, but that's in line really with our strategy.

Diwakar Pingle: Tanvi, I'll take a couple of questions from the webcast here to give an opportunity to the participants who have given the questions out here. So, the first one is from Ketan Sanghvi, an individual investor. He asked, Rajeev, can you please share some insights on potential risk arising out of the withdrawal of sales tax incentives, if it does happen? Do we have the pricing capability to offset the margin hit, if any?

Rajeev Samant: This is a good question. You know, we continue to be optimistic, we have certain things that have happened in the state that give us reason to be optimistic on this. However, it has been taking its time. In the dire thing that it doesn't happen, we don't believe that this is going to be an earth-shattering result if, in fact, there are certain scenarios which show that, in fact, the

market leader like ourselves might even gain to the detriment of smaller participants who really depend on this.

So, today, with our EBITDA margin hitting 29, northwards of 29%, you know, even in the worst-case scenario that something were to happen and we, of course, I want to make it very clear that we remain optimistic that this program will get renewed. You know, there could be some hit to EBITDA margin, but what would probably happen is some level of incentives in the market will go down automatically because people, some of the producers are banking on this sales tax incentive to come in later and are pricing accordingly. That discounting should reduce and that should give a boost.

Diwakar Pingle:

Thank you, Rajeev. Next question comes from Chetan Shah of Jeet Capital. I think this question has been answered in some form or fashion, but Chetan asks, can you give some thought on the new market and new products opportunity strategy by the company and how we've seen the industry in general for the next two to three years in mind? With the competitive landscape that exists right now.

Rajeev Samant:

Today, I would say that we already have a pretty full portfolio. Now, the important thing is to find depth rather than more breadth. So, you know, we have a great offering up and down the price ladder in terms of reds, whites, rosé, bubbles. What we see is that the biggest growth over the last five, six years has come in the bubbles and rosé segment. Red is growing faster than white. So new offerings are more likely to happen in the red space.

Then you have the issue of format or the case of format where wine has been very traditionally in glass bottles and that too mostly in 750 ml. This, I do believe, is ripe for a change. Sula was the pioneer in launching our Dia wine in a Can, which has in this past year picked up some amazing traction. And I say we do have plans to introduce more of our wines in the Can format. And I hope to be able to share good news with you on that pretty shortly. But I do think that cans is a format of the future for wine as well.

You know, in the case of beer, once upon a time, you only had beer in 650 ml. Then you had it in 330 ml. And today, beer in a can is huge. And I do see wine also, this format becoming more and more important. And Sula is gearing up for it.

Moderator:

The next question is from the line of Nirav Seksaria from Living Root Capital. Please go ahead.

Nirav Seksaria:

So I wanted to ask that what are the steps taken by the company to convert the consumers from spirits and the beer segment to wine segment?

Rajeev Samant:

I want to point out here that for sure, some amount of conversion is important. What is also important to note is that India has by far the largest number of new drinkers coming online every single year. I mean, if you just look at every year, how many people are coming of age that they can drink alcohol in their state, it's more than the populations of most other countries.

So I think that for us, what's important is today that when a person starts drinking, especially today, it's mostly in the metros and in markets, important tourism markets like Goa, etcetera,



that they are introduced to wine, they have wine available to them. And today, if you look at the distribution and availability of wine, that has really exploded over the last five or six years.

And that is going to be really our target to a large extent. And we do reach a lot of these consumers through our digital efforts. We're very active on digital. We do sampling and we do have, of course, people converting from other alcohol, but I would not say it's as much of a focus for us. It's probably a lot easier to convert new drinkers and especially women to wine, not convert, but to introduce them to wine as their first alcohol of choice, rather than consuming, converting an old grizzled whiskey drinker to wine that probably we have to wait for their doctor to recommend to them.

Nirav Seksaria: Okay. And so my other question is, how do you foresee the Indian craft segment to grow in the near future?

Rajeev Samant: In terms of craft, I would say that it has been a phenomenal growth in terms of spirits and beer, in terms of at least awareness, in terms of numbers and profits, probably only time will tell. In terms of wine, wine itself, the entire industry, you can almost, define as craft in a way when you take it against spirits and beer.

So that's what I would put. I don't think craft wineries, boutique wineries, that has not really worked so well so far here in India, we are seeing the rule of two or three in wine, as we have seen typically in the past, in spirits and beer as well. India is a very, seems to be a very unique scenario. If you look at Italy, you have 15,000 wine producers and the top... **(inaudible)**

Nirav Seksaria: Yes, so you were talking about the wine growth overall for the past year. Talking about the wine growth overall for the future that we can assume it to be.

Rajeev Samant: I already addressed this about 10 minutes ago, I believe.

Moderator: Thank you. The next question is from the line of Nirav Rajiv from Aditya Birla. Please go ahead.

Nirav Rajiv: I just had a question on the, on your imported brands. I mean, obviously, the mix has currently gone down to maybe, I guess, around 5% to 6%. So what is the outlook going forward? Will the mix remain in this range? And going forward, can we expect the own brand's growth to mirror the revenue of the company?

Rajeev Samant: Yes, I'd like to tell a little story. At one time, we thought that imported brands was a very important part of our offering. When we walked into, say, a hotel, say, talking to the Taj Group, we felt that we had to have a portfolio, we had to have a bouquet of brands. And that was the only way that we would be taken seriously. Today, that scenario has totally changed. Sula today is a powerhouse. You know, in wine, Sula is like what Kingfisher has been in beer. I hope I'm able to use another, this thing.

So you don't need a bouquet when you walk into an outlet. So this is something we've learned. This is one very important and interesting story. The second thing is, the imported business is just not, the profitability just does not match up. And we have grown in confidence and the



consumer has grown in confidence of choosing our brands, our really well-made Elite brands and premium brands. So in fact, if anything, I see this probably withering away further. What I said earlier on this call was that the first, I believe I said, was the first six months of FY '24, you're going to see a further degrowth in imports. So, again, you're going to have a K shape, a big, a nice growth in our elite and premium and a de-growth in our imports. So, we will probably end FY'24 even lower than where we've ended FY'23. After that, then you will start to see some growth, but our Own Brands is our focus.

Moderator: Thank you. The next question is from the line of Mangesh Kulkarni from Almonds Global Securities. Please go ahead.

Mangesh Kulkarni I just wanted to know about the potential of our tourism business, like coming off of this Nashik and Shirdi, everybody has talked about the growth of your brands, but about the tourism business, can you just throw some light on the expectations in next one or two years?

Rajeev Samant: Yes, so this year was really phenomenal in terms of the growth. Our Wine Tourism business grew by something like 30% over the previous year. If you take a look at the entire business that doesn't come out so easily in our P&L and in our release. If you also take the wine sales, which come are classed in the total own brands, the total Wine Tourism sales have now hit INR80 crores in FY'23, though the P&L I think only shows around INR45 crores. But the total actually, including the D2C sale that happens is around INR80 crores. We are looking to a target of something north of 100 crores in FY'24. That's what we hope to achieve.

So, that is what I will give you some insight into right now. And that would really be a significant business for a wine company to have a tourism business that's north of INR100 crores. And that just shows you how well it's going. We have to still, we are not able to accommodate everybody who wants to visit us on weekends. We still have to very sadly turn people down and turn people away. So, I look forward to the day when we don't have to do that anymore. And that would be the day when we peak. But I don't see that peak as coming for a while.

Moderator: Thank you. The next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.

Alisha Mahawla: My first question for the year. What is the subsidy revenue that we have booked?

Rajeev Samant: INR45 crores. Yes.

Moderator: We move to the next question from Pratibha Doraiswamy, individual investor. Please go ahead.

Pratibha Doraiswamy: I just want to understand a little bit about, you know, our export markets. What kind of traction we're seeing and what plans we have for the export market. Thank you.

Rajeev Samant: So, you'll notice that I have not mentioned exports as one of the main pillars of our business. We have been very focused on India. We see just as this is expected to be the fastest growing big economy in the world over the next decade. So, also we see this as being the most important growth market for wine for the next decade. And Sula dominates and we have hardly penetrated.

So, you know, I always say that we need to it's more of a priority for us and it's more profitable for us to penetrate in Moradabad versus Manchester. So, I must say that though we have potential, we've had a great year in exports. We've had a good growth this year. But in terms of bang for the buck, I would still say that we are very much focused on India, about 3% probably of our own wine sales, approximately that give or take was exports in FY'23. I don't see that changing a lot over the next couple of years, at least.

Moderator: Thank you. The next question is from the line of Vignesh Iyer from Sequin Investments. Please go ahead.

Vignesh Iyer: Congratulations, sir, on good set of numbers. I just wanted to understand more. If you could quantify what percentage of your sales would be advertisement cost in FY'23? And what would be the advertisement cost in FY'24 as a percentage of sales? Just a ballpark number.

Rajeev Samant: Advertisement. I mean, I must mention here that, you know, the rules do not really allow us to advertise. So, if you are talking about our wine tourism, advertising etc., it was probably a couple of crores. So, you know, we are very cognizant of the regulations regarding advertising of alcoholic beverages. So, at this point, we are a little bit under the radar.

Moderator: The next question is from the line of Arpit Shah from Stallion Asset. Please go ahead.

Arpit Shah: I just wanted to understand three parts. I just wanted to understand how we set the pricing, the pricing set by the government. Do we ask the commission to set pricing over there or we can just set prices according to what our wishes are? Number one question. Number two question, I just wanted to understand the distribution side. Right now, we have wineries in Maharashtra and Karnataka. And we'll be also having presence in some other states. How does the excise work within the Karnataka state from those governments? And the third one is on the room expansion part. I think we mentioned about 30 rooms we are expanding for FY'24 and our current capacity is around 67 rooms or so. So, I just want to understand why such a large expansion in the number of rooms and is it happening in Nashik itself or do you planning to expand around Karnataka?

Rajeev Samant: Great. In terms of free pricing versus controlled pricing. Some of our states are free pricing. So, the most important ones being Maharashtra, Karnataka, Goa, these are the most prominent free pricing states. So, you can say something like 75% of our revenue is free pricing. Fixed pricing - all the cooperation states, Tamil Nadu, Delhi, Haryana, the entire north pretty much, the entire east and the entire south apart from Karnataka is all fixed pricing. The good news here is that in the last one year, there's been a number of states have given price increases and you have not had the kinds of increase in taxation on wine or in fact in other alcohol as we had during the pandemic when of course states were really suffering in terms of revenues. And in terms of finances and they were sort of milking the alcohol-bev cow in a way and that has not happened in the last one year. So, it's a good scenario right now. In terms of distribution, So you have the cooperation states of course. So Karnataka, Telangana, these are a couple of major cooperation states. So that's quite different than just private distribution.

Rooms, well, I think there is probably enough people on this call who try to get a room at Sula, especially on the weekend and they can't get a room. So, we do believe that the 70 odd rooms



Sula Vineyards Limited
May 04, 2023

that we have so far are just not enough. The kind of demand that we are getting and we want to bring more people in to taste more wine. So, quite frankly, even if our occupancy rate went down a little bit, I would live with it. I would much prefer that whoever wants to come has a chance to come and then to taste our beautiful wines and then leave as a wine drinker and a brand ambassador of Sula for life. I am okay to bet on perhaps little occupancy going down. I don't think it's going to go down much. I'm not saying that, but we have some terrific partners. We are not putting in the capex for any of these rooms. Very important to note. All these 30 rooms are being built out by our business partners in Nasik. And then we do the wine software, you can say. So, we have a great team that manages and then just makes it a wine experience once you get there. So, no, very little wine tourism capex in that respect. And so why not?

Moderator: Thank you. That was the last question for today. I would now like to hand the conference over to Mr. Diwakar Pingle for closing comments.

Diwakar Pingle: Yes, thank you so much. Thanks to the investors for logging into this call and asking those questions. Thanks, Rajeev and the Sula team for being very patient with all your responses. Should the investors have any further queries or clarifications, you can reach out to the Investor Relations team at Sula. Juilee Chaudhari is there, plus the team of EY can help you with any other queries. Thanks once again and have a nice evening. Cheers. Bye.

Moderator: Thank you. On behalf of Sula Vineyards Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.

(This document has been edited to improve readability)

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