SULA
VINEYARDS

Date: 14th May 2024

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 31st March 2024.

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, 9th May 2024 regarding the Audited Standalone and Consolidated financial results for the quarter and year ended 31st March 2024.

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

RUCHI PRAMOD SATHE
Digitally signed by RUCHI PRAMOD SATHE
Date: 2024.05.14 15:07:06 +05'30'

Ruchi Sathe

Company Secretary and Compliance Officer

Membership No.: A33566

"Sula Vineyards Limited

Q4 FY '24 Earnings Conference Call"

May 09, 2024

MANAGEMENT: **MR. RAJEEV SAMANT – CHIEF EXECUTIVE OFFICER – SULA VINEYARDS LIMITED**
MR. KARAN VASANI – CHIEF OPERATING OFFICER– SULA VINEYARDS LIMITED
MR. ABHISHEK KAPOOR – CHIEF FINANCIAL OFFICER – SULA VINEYARDS LIMITED

MODERATOR: **MS. RUNJHUN JAIN - EY INVESTOR RELATIONS**

Moderator: Ladies and gentlemen, good day and welcome to the Sula Vineyards Limited Q4 FY24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and 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 touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Ms. Runjhun Jain from EY Investor Relations. Thank you, and over to Ms. Jain.

Runjhun Jain: Thank you Michelle. Good afternoon, everyone, and we welcome you to Q4 and FY24 earnings call of Sula Vineyards Limited. To take us through the results and to answer your questions, we have with us the top management from Sula, represented by Mr. Rajeev Samant, Chief Executive Officer, Mr. Karan Vasani, Chief Operating Officer, and Mr. Abhishek Kapoor, the Chief Financial Officer. We'll start with a brief overview from the management, and then we'll open the floor to Q&A.

But before that, a disclaimer, please. Numerous factors could cause actual results to differ from those in the forward-looking statement. New factors emerge from time to time, and it's not possible for management to predict all of them, including the extent to which any combination of factors may impact the 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 a statement is made.

Now I hand over to Rajeev.

Rajeev Samant: Thanks a lot, Runjhun. Good afternoon to all of you. I welcome you all to our Q4 and FY24 earnings conference call. And thanks to all of you for taking the time to join us this afternoon. We come to the end of another successful financial year. We grew by double digits in FY24, and once again had a record year in terms of margins. We're also thrilled to be celebrating our silver jubilee this year, marking 25 years since our first harvest, which happened back in 1999. We've come a really long way since then. The last 25 years have been tremendously fulfilling. And out of that, the last three or four years particularly have been, I would say, the most fulfilling and really have taken our company to a different level, including navigating the pandemic, completing our IPO, and now completing one year since our IPO. Since then, we've shown some tremendous results, both in our own brands as well as in the wine tourism segments, our two most important lines of business.

This is our eighth consecutive quarter of top-line growth. However, what I find most encouraging when we start looking into these numbers is the terrific growth that we are seeing in non-traditional wine markets, beyond our most important markets of Maharashtra and Karnataka. That has really been the story of this financial year as well as of Q4. For example, states like Telangana and Rajasthan have shown particularly strong performance.

Our CSD business is the strongest performer this year with more than 50% growth, and it's become our biggest growth segment and shows no signs of slowing down. This diversification positions us really well for continued success in the future. One of the questions that we always face is how are we doing with penetration in terms of wine consumption in markets, in non-metro markets and markets where we have not done traditionally really well, where we do 70% of our sales, which is Maharashtra and Karnataka. This shows that this potential is alive and well.

Having said that, Mumbai and Goa, two very important markets for us. Mumbai, of course, has traditionally been our most important markets, have been challenging this year in FY24, flat to negative growth. And we do expect some softness in these two major markets to continue in FY25 as well.

Backed by the double-digit revenue growth and improving profitability, I'm very happy to share that we've been improving our returns to stakeholders in FY24. Our ROCE is 25%, 25.2% to be exact, which is one of the highest in the Alcobev industry and just shows our strong focus on financial metrics as we grow.

One of the big questions over the last couple of years has been the Maharashtra WIPs program, which is the VAT refund scheme. And I would like to just say a word here for some clarification. As you are all aware, the Maharashtra government recently revived the scheme and we are very thankful to them for that. The scheme was revived for eight years, four years which are retrospective until FY24 and another four years after FY24 until the end of FY28. There is a little bit of a difference in the scheme for the prospective four years as a cap has been imposed of INR20 crores per unit as against no cap earlier. This does impact Sula out of all the wine companies. Though we currently have three units which qualify as per the definition for the VAT refund, we do expect some impact in FY25 of this cap and possibly the total refund that we will receive will be slightly lower than the refund amount that we received in FY24. However, we are putting plans in place to bounce back in FY26 and beyond. We have some good strong plans for this. It requires a little bit of reshuffling of our thinking but we are well-placed to carry this out.

Quick word on the acquisition of ND wines, which was just completed in record time. I want to thank our team for having completed this acquisition from start to finish in less than a couple of months, really speaking. So, we acquired one more winery, ND, which does constitute a separate unit in terms of the whole WIPs mechanism and that is going to help us in minimizing the impact of the lower refunds. We had been leasing this unit for a number of years and now we have taken it under complete ownership. What is most exciting about this acquisition is the tremendous scope for wine tourism.

When we look at acquisitions, what is a real priority for us is the wine tourism potential for these acquisitions. In the case of ND, it is a fantastic site. It is just about 45 kilometers from the Maharashtra-Gujarat border and already we have a small bottle shop there. Now, we have already begun the work of expanding this massively to create one more wine tourism destination.

So, we have been open to acquisition opportunities, this just highlights that, but we like to go selectively and strategically.

Moving forward, I would like to highlight one slight change in our priorities that we are not going to be necessarily limiting our potential opportunities for acquisitions to only wine. There are some very interesting and exciting opportunities even in the rest of Alcobev and we would be taking a look at that.

Let us take our attention to wine tourism. This is a business where we are by far and away the leader. We have been the pioneers in this really exciting business. It is an extremely crucial pillar for us and apart from the turnover, it is also an extremely profitable business. It is the place where most people taste their first glass of wine that makes it so exciting for us. It is our D2C business, so we can measure for ourselves and analyze for ourselves exactly what the customer preferences are, which is so important for a business like ours. And of course, it is very profitable because we are selling D2C, so we are doing away with trade margins here and that is why this is a crucial pillar for our growth moving forward.

You would note that our wine tourism revenues grew by about 22% in FY'24, so much faster than the overall business. We continue to be extremely bullish about the growth prospects ahead and we see very strong double-digit growth ahead in FY'25 and in the decade beyond. We do have several exciting projects lined up for FY'25. The first of which has already started, that is Milestone Cellars by Sula. What makes this so exciting is it is our first standalone tasting room to open outside one of our winery campuses. This is on the old Mumbai-Agra Highway, very close to Nasik Airport. It is just five kilometers from Nasik Airport. Why that is so exciting is that Nasik Airport is seeing more and more flights. Happy to announce that on May 1st, we saw a new flight, daily flight from Delhi on Indigo direct to Nasik. Again, something that is very exciting for us and then we have our tasting room just close by.

This is a milestone in more ways than one. It is our first tasting room outside our winery. We are also actively seeking out sites for more tasting rooms and we hope to have more announcements in that regard in the near future.

The next project is at ND Wines, which as I said already has tremendous potential. Currently, there is a small 120-square-foot shop selling our wines. Now, we are going to be expanding that to about 3,500 square feet of wine tourism, tasting room, bottle shop, restaurant, etc. That is really exciting. Again, as I said, it is just 40 kilometers from the Gujarat Highway, which just gives it tremendous potential. It is already well known by the tourist traffic on that road. We already sell a good amount of wine there just from that small bottle shop. We aim to launch this project, open this 3,500 square feet of wine tourism space within FY'25 itself. In fact, we have set ourselves a deadline for before December‘24. So again, something very exciting coming up.

The next project on the anvil is at our domain Sula outside Karnataka, which has seen the biggest growth this year. Something like more than 50% revenue as well as footfall growth.

It is just a two-and-a-half-hour drive from Bangalore, which makes it very exciting. We have got plenty of land there to expand. Obviously, we are going to have a resort coming up there. Before that, we are also at this point already working on expanding the tourism facilities even further. We are going to be expanding our tasting room, expanding the restaurant, and then begin work on a resort close to the winery there. We hope to start operations at this resort hopefully in FY'26.There will be more on that in future earnings calls.

Finally, you are all aware that we own New York Winery just down the road from us. Until now, we have had a decent business with our tasting room and wine shop. Now, I have great news that we are going to be opening a resort there. We have just signed on with a business partner for a 31-room resort plus for the first-time conference facilities, which we are currently lacking in our Source and Beyond properties. This we are targeting to open in FY'26. Work has already begun here. It is on-site. That will take our total room count from the current 104 rooms to 134, so adding very nicely.

A lot of exciting news on the wine tourism front. We do see this as one of the ways to introduce wine to so many people across the country. Now that we have taken this decision to move outside our boundaries, that is what we are going to go for in a big way.

Quick talk about sustainability. You all know that at Sula, sustainability is a very key pillar. We are now a gold member of the International Wineries for Climate Action. We have reached about 60% today of our energy needs we are getting from our own solar facilities at our wineries. We are adding more sustainability capex, more solar. Just last year, the Maharashtra government has now vastly expanded the potential at a particular site. Instead of having a limit of one megawatt of solar, now we can go up to five megawatts of solar. So, of course, we are taking advantage of that immediately. And we are targeting to go from 60% to 70% of our energy coming from renewable by end of FY'25. Why that is so important, even from a profitability, obviously from an environment point of view, but from a profitability point of view, energy is one of our highest manufacturing costs, and this will allow us to bring down that cost.

At the same time, we are very excited about battery storage. Last year, we have dipped our toes into this world with our first installation. It's been a great experience. And now we're going to be doubling what we put in last year in terms of battery storage. And I do see in the not-so-distant future that with renewable plus battery storage, we should be getting something like 80% of our energy maybe within another year after the end of FY'25. And then hopefully, we have a target to get to 100% within five years. So, we are already putting in place plans for that.

Some thoughts on the outlook. We see some softness in Q1. However, we have some very strong hopes for the entire FY. In Q1, with the elections happening, the kind of restrictions that have been placed on AlcoBev, are much harder than anything that we've seen in the past. So, literally, you have situations where somebody is carrying away three bottles from a wine shop in Bombay. They can be stopped and questioned about that. So, that is creating some amount of struggle. Plus, we do have a scorching heat wave right now. And so, Q1 is looking a little bit challenging. However, as we look forward, we have some great hopes for the year ahead.

We've had a terrific harvest, our fourth excellent harvest in terms of quality and quantity. So, absolutely no issues in terms of supplies of all our wines, especially the premium and elite. And ending with the premium and elite, I would like to highlight the fact that within the numbers, you will find that premium and elite growth in Q4 as well as FY has been in very strong double digits, around a 14% growth in Q4.

I've always said that SULA is about premiumization. It's about our premium and elite wines. We are not fighting so hard in the economy and popular segments, given how much discounting that goes on in that and the lack of focus on quality.

Our strong point is the fact that we have successfully created some of the strongest and most recognizable premium alcobev brands in India. Especially, I want to highlight our Source brand, which has been the most successful premium Indian wine brand launch of the last decade and continues to be a very strong performer. We've seen something like 25% plus growth in Source sales this year.

And so that's where we're really doubling down. That's where we've put in the most new brands, our Source Pinot Noir, our Source Moscato. These are new wines, which we'll be seeing more and more on the shelves soon and already consumers loving it.

So, with the great harvest, with the fact that India still has the lowest per capita consumption of wine in the world, so there's a huge runway ahead and Sula is firmly in the driver's seat. In fact, we have gained market share in terms of premium wine. I'm very optimistic for the road ahead. Thank you.

I would like to call on our CFO Abhishek Kapoor to say a few words, followed by our COO Karan Vasani.

Abhishek Kapoor: Thank you, Rajeev. Good afternoon, everyone. As Rajeev has elaborated on our business performance, including some key initiatives being undertaken, now I shall dwell upon our financial numbers during quarter 4 and full year. First, talking about our operating revenue numbers, we registered a 9.8% growth for quarter 4, led by a strong growth in our elite and premium portfolio, as well as wine tourism business. For FY'24, we clocked a revenue of INR608 crores, up 10% over last year. This growth trajectory is a testament to the strength of our brand portfolio and the effectiveness of our distribution strategies.

You may please be noted that the other income line item includes unwinding of the fair value element of the WIPs incentive scheme. In quarter 4, this unwinding has been accelerated due to the receipt of INR87 crores of WIPs incentive. Please note that this unwinding is more of operating nature, as WIPS on its original recognition is discounted, as expected realization is beyond 12 months.

In quarter four of FY '24, we registered an 8% volume growth and 9% value growth in our own brands, compared to the same period last year. Our elite and premium brands witnessed 14% value growth, as already mentioned by Rajeev. On a full year basis, our brand's volume growth should add 7%, with 11% value growth. Elite and premium value growth for the full year stood at 15.5%. This is very much in line with our focus on premiumization.

Our wine tourism business experienced remarkable year-on-year growth of 31% in quarter four. This expansion underscores the increasing popularity of our wine tourism offerings and reflects positively on our strategic investments in this segment. For FY '24, growth in wine tourism stands at 21%, with non-wine revenues reaching at INR55 crores. Share of wine tourism business in our overall revenues stands at 9%, considering non-wine revenue.

Turning to the financial metrics, our gross margin for quarter four stood at 74%, reflecting consistent profitability in our operations.

Our Q4 EBITDA grew by 5%, with FY '24 growing by 14% to reach INR183.6 crores. Q4 EBITDA margin of 25.3% was 114 basis points lower Y-o-Y due to higher mix of revenue from geographies other than Maharashtra and also a higher share of CSD revenues. This is in line with what Rajeev has been mentioning, that we would like to invest back in business and would also be focusing on driving the wine consumption in geographies outside of Maharashtra and Karnataka.

EBITDA margin of FY '24 is 108 basis points higher Y-o-Y at 30.2%, which is our all-time high full-year EBITDA margin. Our outstanding WIPs balance as at 31st March, '23 was INR113.7 crores, with INR47 crores accrued during FY '24, taking the total WIPS receivable on our balance sheet to INR160.7 crores till 31st of March. We have received INR87 crores WIPs payment from Maharashtra government in the month of March, on 31st March in fact, and currently our outstanding WIPs as on 31st March stands at INR73 crores. We remain positive to realize the balance amount in FY '25.

Our profit after tax for FY '24 amounted to INR93.3 crores, which is 11% higher Y-o-Y. Our PAT for Q4 saw a decline of 4.9% YoY led by higher interest and depreciation costs. We have done significant capex in the last two financial years, resulting in higher depreciation charge.

This is for our belief in investing into the business for our continual growth going forward. Our average borrowing for current year stood higher versus last year by around INR45 crores as WIPs payout happened on March 31 and could not be utilized for the working capital needs during the year.

Our prudent financial management is evident in our debt matrix with our debt-to-equity ratio of 0.54 times and our net debt to EBITDA ratio of 1.1 times, reflecting a healthy balance sheet. We recorded a ROCE improvement of 220 basis points to reach 25.3%. This reflects effective utilization of our capital. Our EPS has grown 8.5% at INR11.06 per share.

Considering the expansion potential in our wine tourism and other inorganic expansion opportunities, company's board has recommended final dividend of INR4.5 per share subject to shareholders' approval. This takes the full-year dividend to INR8.50 per share, almost at the same level as last year. As we look ahead, we remain focused on driving sustainable growth, enhancing operational efficiency and delivering long-term value to our stakeholders.

I would now request our COO Karan Vasani to give you more insights into our operating initiatives.

Karan Vasani: Thank you, Abhishek and thank you, Rajeev. Good afternoon everyone. I'll start with giving you a brief overview of the just completed 2024 grape harvest. Pleased to report that it was an extremely successful harvest. Overall, grapes crushed were up 1%. Within this, the all-important wine grapes which are used for elite and premium wines were up 11%, with table grapes which are used for the cheaper wines being down 29%.

This divergence between the two reflects that we are becoming more and more an elite and premium company and hence the share of wine grapes and our total grapes continues to grow up. Within wine grapes, white wine grapes were up and more than red wine grapes. Red wine grapes were up 7% and white wine grapes were up 19%. We are particularly pleased to note the increase in white wine grapes of 19% because when we parallel it to our sales, the sparkling wines which are the category that use these white wine grapes, their sales volume in FY '24 was up 24%.

Also, we launched a couple of years ago the Source Moscato which has been an extremely successful launch. Happy to report that sales of the Moscato were up 160% in volume in FY '24 and we expect this strong growth to continue in future years. Moscato grapes crushed were also up in line at 67%, enabling us to launch this wine in far more states.

Overall, if I turn to a little bit of brand mix, the Source which Rajeev touched on earlier, which we launched about six years ago, continues to be the most exciting new wine series launched in the country in the last five years. Volumes of the Source wines were up 44% in FY '24, far outpacing the overall company's volume growth. We will also be taking the Source series national now that we have ample availability. We will be launching the Source in up to 10 more states with 30 listings in these states.

Rasa volumes as well were up a very healthy 18% and we continue to premiumize the business more and more with this expansion of the Source and Rasa. As our focus turns to taking growth of wine out of the non-traditional wine markets, we are investing in our sales team. The headcount of our sales team will be growing in the region of 8%-10% and I am happy to report that almost 80% of this increase is going to be coming from Tier 2 and smaller cities as we look to build a broad base for wine consumption.

In terms of Cans, which was something that we launched in the fourth quarter that has been met with a good response and we have ambitious growth plans for cans. We will be introducing cans in 5 new states in this financial year and I would like to assure all on this call that the quality in the cans is as good is equivalent to is the same as the quality in the bottles. So, when consumers are buying the cans they can rest assured that they are getting their favorite Sula wines exactly as they should be getting it.

Moving to the winery side of things, in some good news in FY25 we are expecting a 3% decline in packaging material cost per case which goes well for margins going forward. In FY24 with some of the geopolitical issues we have seen a 4% to 5% increase in packaging material costs and that is now moderating coming down by about 3%.

Capacity utilization at the end of the financial year stood at around 85% and we will be expanding our capacity by about 1 million liters in time for the 2025 grape harvest which represents a 6% increase in capacity.

Up until now, we have had only capacity really for one sort of capacity dedicated which can all make Elite and Premium wines. Now, for the first time we will be developing and putting in place a low-cost cellar specifically for the cheaper wines and this will come in at a capital cost of INR80 per liter as against our earlier capacity additions that have been at INR120 per liter.

We continue to invest substantially as Rajeev mentioned, in solar with about INR10 crores of next year's capital expenditure budget of INR60-ish crores being in solar and just to add a little bit more color as to how significant solar is even from a financial point of view. In FY24, we generated about 5 lakh units from solar. If we did not have this solar our electricity bill would have been higher by INR6 crores which would have been a 1% lower EBITDA margin.

So, for us it's clear sustainability and investment in renewable is the right thing to do both from an environmental and financial point of view, and it's an area we will continue to invest in. So, with that, I'm happy to hand the call back and open up for Q&A.

Moderator: Thefirst question is from the line of Jay Doshi from Kotak.

Jay Doshi: Hi, Rajeev. My question is regarding your opening remarks you mentioned that you're looking at M&A opportunities outside of wine also. So, what are the categories within Alcobev interests you and what will be the ticket size typically that you'd be looking at and finally, if you come across something, how would you fund it?

Rajeev Samant: Hi, Jay. So, look, I can't give you too much more detail on that. I would just like to say that until now we've always been guiding that we are only moving forward, only going to be interested in wine. However, so many exciting opportunities, small craft producers come our way who are so energized by our story and they see the synergies that we do get some very interesting offers constantly. So, we have decided that now we are going to open our minds a bit and take a look at this. That's about all that I can say right now.

Jay Doshi: Sure. Thank you so much. Thank you.

Moderator: Thank you. The next question is from the line of Sudarshan Padmanabhan from JM Financial PMS.

Sudarshan Padmanabhan: Yes, thanks for taking my question. My question is more on the wine tourism. I mean, glad to see the growth in the last few years. Now that we have made acquisitions and investments here one at scale because I mean while it is 9% of sales it's still about INR50 crores in opportunity thing. In the next 3 years to 4 years strategically where do you see this business growth in terms of scale as well as in terms as a percentage of our sales?

Karan Vasani: Thanks for that Sudarshan. So, 9% first let me start off by saying the number that you're referring to is as it is reported in our numbers. If you were to actually include the wine that is sold at our hospitality that number would be closer from about INR95 to INR100 crores and looking more like 15% of revenue overall. We do expect the core wine,the wine tourism business to grow faster. We are going to be making significant investments in wine tourism, some of which Rajeev already outlined with the expansion of hospitality at ND, the addition of the rooms at York, and we see wine tourism and our wine business are, for us, it's almost one and the same.

We are now through the wine tourism business, taking wine more and more closer to our consumers. We just opened our first tasting room outside our premises in Milestone Cellars, and there will be more action on this space and more touch points to our consumers, closer to our consumers. So, stay tuned on that.

Rajeev Samant: I would also like to add something here. Going back to Jay's previous question, I want to point out that Sula has built a terrific national distribution. We are today present in every single state where alcobev is allowed. This is something that is very difficult to create from scratch, and you have boutique producers, let's say spirits producers in Goa, etcetera, who have created great products, terrific taste, terrific packaging, quality, very quality focused. But it is so difficult for a small craft producer today to find distribution in even one or two states, let alone nationally. So that is something that we can definitely leverage.

Remember that we have had some experience in the past in this. In the past, in our imported segment, we have represented Beluga Vodka, Rémy Cointreau, Remy Martin, Cognac, Asahi Beer. So, we know a thing or two about these categories. And things have really changed in India with such fantastic local products. And so that just gives a little bit more color to my answer.

Sudarshan Padmanabhan: And any specific scale that you plan to implement in India in the next 2-3 years?

Rajeev Samant: The word craft is a word that is used a lot these days. And quite frankly, we are right now talking about craft, and it's too early to talk about the next 2-3 years.

Sudarshan Padmanabhan: My next question is on the cash flow. While I think it's heartening to see that we have increased the dividend payout, given that there is so much opportunities ahead, and I'm sure that all the investments that we've done will also help us to generate more cash.

Last year, we saw close to about INR80-odd crores or around that as dividends, which is nothing like what it was the previous year. Going forward, what do you think would be the right mixture in terms of how your cash is going to be distributed? I mean, you know, diverted towards your growth as well as your cost?

Abhishek Kapoor: Sure, Sudarshan. So, I'll take this question. See, in terms of the cash flows, till the time we had not received the WIPs incentive payout from the government, of course, there was a challenge situation on the cash fund. But with this money coming in, and now the clarity coming in from the perspective of the continuation of the scheme, that challenge has completely got removed now.

In terms of our distribution of dividends, we have maintained this year's dividend almost at the same level as last four years' dividend. That is keeping in mind that we are conserving cash for exactly the opportunities of expansion as well as which includes inorganic expansion.

Going forward, we are going to continue investing into the business. As you have seen in the past trajectory also, close to INR50 crores to INR60 crores every year, we are investing into the business. And that is considering the future growth potential both on our wine sales as well as our wine tourism business.

Moderator: The next question is from the line of Vinamra Hirawat from JM Financials.

Vinamra Hirawat: So, I want to start off by saying I am happy with the volume growth in Q4, year-on-year premium and lead. That is where the focus is. But due to low growth in economy, the top line number is growing a little slower. We want to know two things. Should we expect at least low single digit growth in the economy segment? And secondly, is the 15% growth in consolidated volumes, is that guidance still intact for the next few years?

Karan Vasani: Sure. So we believe that this growth rate of elite and premium absolutely is sustainable. That is where our focus is. And within elite and premium, of course, elite with Source and Rasa growing much, much faster, good for margins. On the economy side, yes, we do expect volume growth there to be in the range of 5% to 6% or mid-single digits. Mid-single digits, you can say. And we do see this as a segment that is sort of driven by high discounting and becoming a race to the bottom. And that is one segment in which we have -- that is not a game we want to play.

Vinamra Hirawat: Okay. So I take that as the 15% long-term volume growth guidance is still intact, right?

Karan Vasani: Yes.

Vinamra Hirawat: So, second question, what are the aftereffects of the high S&D spend last quarter? In the Q3 call, you mentioned you gained market share in all the major markets that you have done the spend through the strategy. And are we expecting some faster growth in this area, maybe with a lag? And what are some other after-effects of the aggressive S&D in Q3?

Karan Vasani: On the S&D front, S&D, yes, they were elevated in Q3 and they continue to remain elevated till sort of mid-Q4, after which we have, as we had directed, started moderating the S&Ds. We have gained market share, we have captured market share in new institutions, particularly across the country, which remains a focus. We were, we responded to the competition and we feel we are at a good place now with S&D and a balance of profitability and growth.

Vinamra Hirawat: But any long-term impacts, any long-term benefits you're getting, in terms, in the growth front from the S&D expenditure that you did half of this quarter in Q3?

Karan Vasani: The benefit was, capturing market share and growing market share. And we expect to maintain that market share now.

Vinamra Hirawat: Finally, other expenses, they've increased by around 30% year-on-year and quarterly. Just wondering what drove this?

Abhishek Kapoor: Sure, I'll answer this question. So, there were a couple of one-offs in that. One was sort of demurrage charges, which we had to pay in a couple of our corporation markets. And another was one deposit, security deposit, which we had to take a write-off. So, this were one-off and which was quite substantial to the extent that if we were to back these off, our EBITDA margin would have been better by 190 basis points.

Moderator: The next question is from the line of Aditya Soman from CLSA.

Aditya Soman: So, two questions. Firstly, in terms, you indicated earlier that in terms of the WIPs subsidy, there might be a shortfall for fiscal '25. So, can you just give us a little more in terms of numbers of how much that shortfall is likely to be? And what gives you confidence that that will get elevated in fiscal '26?

And the second question is, on the earlier question, I think you indicated that there was demerge in one that led to compression states that led to higher expenses. But is this a one-off or is it likely to happen as you expand your revenues in these states? So, those are the two questions for me. Thank you.

Karan Vasani: So, I will take the first one and Abhishek will answer your second question. On the WIPS front, yes, we will see a little bit of a decline in our WIPs income in FY '25. The way the policy of per unit is, it basically states that it's going to be INR20 crores per unit. And you can capture this at each unit when you begin bottling and dispatch from your units. We are in the process of setting all of that up. Bottling and dispatches from York will begin in Q1 and from ND in Q2.

So, this sort of timing wise, it means that last year at a gross level pre-fair valuation, we had around INR56 crores of WIPs. We expect that to capture somewhere around 83% to 85% of what we got last year in FY '25. And as we grow in FY '26, given that the bottling will already be ongoing at these units, we will capture the full extent to what we are owed. So, I hope that answers your question and I'll hand over to Abhishek for the second part.

Abhishek Kapoor: Aditya, as I mentioned earlier, on the other expenses, these two elements, which is the security write-off and the demerits were one-off. These are not the ones which we had seen in the previous quarters and it's not something which we look forward to in the coming times as well.

Moderator: The next question is from the line of Naman Shah from Monarch Network Capital.

Naman Shah: Hi, sir. Congratulations on the good set of numbers. So, I just wanted to understand how do you see the overall wine market and what would be our strategy to increase wine consumption in the country?

Karan Vasani: So, I'll take this one. We remain very, very bullish on the long-term wine consumption. As Rajeev was mentioning in his opening remarks, we have one of the lowest per capita consumption and we see that continue to grow steadily in the future. This is a business that is really not fundamentally amenable to a quarter-on-quarter growth with a lot of restrictions and now Q1, we're going to have elections, which is going to see some softness as a result.

But we remain focused for the long term. As I was saying, we are increasing our sales team's head count and most of that increase is coming from smaller cities and we expect these investments in our sales team with further investments in marketing, activations, and promotion of wine as a category to pay rich dividends in the future.

Naman Shah: And what would be the drivers going forward?

Karan Vasani: So, the key driver is going to be that the growth of wine is going to become much more broad-based and we are investing in that. So, in quarter four itself, I mean, one of the metrics when we look at internally, which we're happy with is the share of Maharashtra and Karnataka in our overall sales declined by 300 basis points. It was 63% in quarter four last year, coming down to 60% in quarter four this year and other markets growing faster. So, the joy of wine, if I may say, continues to spread to other parts of the country, which have not traditionally been wine-drinking markets.

Moderator: We'll take the next question from the line of Pramod Dangi from Unifi Investment Management LLP.

Pramod Dangi: congratulations to Rajiv and the entire team for the continuous improvement in the elite and premium. I have two questions. One is, in Q3, we have said that there was some rising pressure in the economic segment, which impacted our revenue in Q3. And Rajeev, in your opening remarks, you said that Maharashtra and Goa continue to see some challenges. So, if you can elaborate on those parts, like where we are in that rising pressure and what kind of challenges and how we are seeing that in Mumbai or Goa and the entire Maharashtra region.

Karan Vasani: Just a correction, it was Mumbai and Goa specifically where we see the softness. FY'24 was a great year for Pune, rest of Maharashtra, Nasik, the other parts of the state. The island city of Bombay continues to be a bit of a challenge for various structural reasons. Many excise licenses are moving out of Bombay into other parts. There has been no increase in full spectrum licenses. And more and more people are moving to Thane or the other parts of the MMR region. So, growth is moving to those parts. Goa was just a short-term issue and we believe that has now been resolved and looks set for a good FY'25.

Pramod Dangi: And secondly, on the inventory side, if I'm looking at the balance sheet, there's a huge jump in the receivables, trade receivables from INR115 crores to INR170 crores. While the inventory is up only INR180 crores to INR198 crores, 10% jump in the inventory. But receivables are up significantly. Any light on that? And on inventory, since we file up our grapesin the month of Feb, March, April, how should one see the inventory level and our preparation for the next season?

Abhishek Kapoor: . I think you have asked about two things. One is in terms of increase in the receivables and the second part is in terms of increase in inventories. I'll answer your first question in terms of increase in receivables. See, there is largely on account of the slowdown in payouts being made by certain corporation markets, particularly Telangana. So, that's where some of the collections are outstanding and it's kind of impacting our receivables balance as on 31st of March. In addition to that, I share to the canteen stores department, which is the CSD, the defense department, that has increased, which has got a higher credit days versus our other distribution markets. So, these two key reasons have led to the receivables being higher as on 31st March versus last year.

I'm saying on the second part, which is where inventories are higher, that is on account of a very good harvest, which Rajeev and Karan, they mentioned in their speeches earlier. So, that has led to this inventory being higher, but this bodes well for us in terms of having certain surplus inventories, wherein we will be able to cater to the markets much better.

Karan Vasani: Yes, there are just add a little bit more detail on the inventory side. You know, as we become more and more of an elite and premium, company, the requirement of inventory goes up. Table grapes you can crush and have a wine out in the market in one to two months. For wines like our flagship Rasa Cabernet, from the time you crush the grapes to release the wine, it's about one and a half year of aging that it has to go through. While that being said, we take cognizance that the inventory is high and I think the very fact that the total grape harvest was up only 1% in quantity will mean that this number will see a decline moving forward.

Moderator: We'll take the next question from the line of Alisha Mahawla from Envision Capital.

Alisha Mahawla: Hi, good afternoon,. Just a clarification, I think in the opening comments, we said that Mumbai and Karnataka were challenging just to the earlier participant. Then what you mentioned was Mumbai and Goa challenging, of which Goa has resolved and Mumbai continues to struggle. Is this correct or is there some challenge in the Karnataka market also?

Rajeev Samant: I would like to say something about the tourism in Goa. The high-end tourism, high-end tourist arrivals has been hit very hard over the last season and even going back. So, we saw spectacular growth in Goa a couple of years back. Coming out of COVID the Indian traveler didn't have that many choices of where to go and Goa became the magnet destination for everyone coming out of tourism. It has a couple of real boom years and boom seasons. Now, that scenario has changed.

Today, Indian travelers are being welcomed to Southeast Asia with visa-free welcomes and these countries are extending, in fact, every day. We're reading about some country or the other extending. So, a lot of our consumers who would actually in the past have traveled to Goa are more and more going to Sri Lanka, Thailand, Vietnam, etc places like that. So, I'm not sure that the softness in Goa is yet at a close. So, I just want to clarify this. I don't want anyone to think that we think that Goa is just going to miraculously bounce back. Karnataka is looking appreciably better than these two. So, it's really what we're talking about is our Mumbai and Goa.

Alisha Mahawla: In light of that, we were mentioning that we're targeting a 15% volume growth. This year we've done seven, but that is also because the economy segment has grown at a slower clip and that is by choice. And we expect this to continue as the portfolio shifts to Elite and Premium, but with some of our larger key markets also witnessing sluggishness and with Q1 being weak because of elections how achievable is this 15% volume growth on a full year basis?

Rajeev Samant: I would like to clarify here that we are not talking about 15% volume growth overall. Karan did mention that we were looking at 15% growth in Elite and Premium. I would say that we are looking at a strong double-digit growth in Elite and Premium. We also mentioned that we're looking at single-digit growth in economy and popular. So, when you take those two together, you're not looking at 15% volume growth.

Moderator: The next question is from the line of Farhaan from JM Financials.

Farhaan: I had a question about realizations. So, should we expect further reduction in realizations in Premium and the Elite segment because I noticed in Q4 they reduced as value growth was lower than the volume?

Abhishek Kapoor: So, what you witnessed, what you're referring to in terms of our volume growth higher than the value growth on Elite and Premium that is largely due to a mix between Elite and Premium. Our trend has been where Elite was outgrowing Premium. For Q4, there has been a bit of a change where Premium has grown ahead of Elite and due to that mixed change the value growth was behind the volume growth for Q4.

But on a full year basis, if you see, the trend continues. Our value growth is higher than the volume growth driven by the mix of Elites.

Farhaan: I have another question. What percentage of the sales is from Goa?

Karan Vasani: Goa would be our fourth or fifth largest market having a market share of around 4%.

Moderator: . The next question is from the line of Jayesh Shah from OHM Portfolio Equi Research.

Jayesh Shah: Rajeev, my question is on overall top line growth. I'm not talking for next year, but say over 3 years to 5 years. Is it possible to have top line growth of 15% which somebody else also asked in connection with just FY25. And here the issue is that 15% top line growth has to take into account the fact that your Elite is growing faster, but the economy is not. And secondly, is this growth also dependent on the grape harvesting growth that you would need to ensure your quality?

Rajeev Samant: We have always guided towards double digit growth 15%. So again, I'm going to clarify there was a statement about 15% growth in terms of Elite and Premium. But actually, when you take it on and when you average it out or when you as a blended growth we are not at this point guiding towards a 15% growth overall for the next 2 years or 3 years.

We are expecting something a bit short of that. Though we definitely have double digit growth in mind. In terms of the grapes, absolutely no issues here because the grape supply is looking very robust. This year we have enough wine to take care of the next 18 months of supplies. So we don't see this as an issue at all.

If anything on the wine grape side we have a little bit of excess, but remember that is our strategy that we like to have a little bit of excess you can say or a little bit of buffer, just in case of a bad year happening which can easily happen in our industry in the case of wine. So, on that with that at this point, we're sitting on a very good supply of wine grapes and of Premium and Elite wine.

Jayesh Shah: And my second question is related to margins. Now, as **you see CSD** mix going up, is there a concern on the margins and I'm not sure, but I thought in one of the media interviews maybe today, you seem to indicate that current margins are at peak and sustainable margins may be lower.

Abhishek Kapoor: See, Rajeev has been mentioning as you would have noticed that definitely these margins are not sustainable and you will actually see a bit of a correction in that. And that is largely because we have been investing in the business and as we are expanding in the geographies beyond Maharashtra and Karnataka. Definitely, we are going to see margins getting normalized. But that definitely does not mean that there is going to be a very significant impact. Having said that, we see that in the overall Alcobev space these margins are pretty healthy and we look forward to kind of focusing on our profitability very, very clearly.

Moderator: The next question is from the line of Prakash Modi from Kct Financial Management..

Prakash Modi: So, this is just an extended question. Can you just help us understand what is the percentage of revenue from Maharashtra and non-Maharashtra state?

Karan Vasani: So, Maharashtra accounts for around 52% of our domestic wine revenue in FY24.

Prakash Modi: And the margins remain the same in Maharashtra as well as the non-Maharashtra state or is there a difference? How it is?

Abhishek Kapoor: See, considering that there is a bps incentive in Maharashtra considering that, yes, the margins in Maharashtra are higher versus any other market. If you back that off then definitely the margins are a lot more comparable between the two segments which is Maharashtra and non-Maharashtra markets.

Prakash Modi: Can you just help me or throw some light on how the business will grow in the non-Maharashtra state? What is the strategy over there?

Abhishek Kapoor: So, we definitely see the non-Maharashtra geography seeing a much higher growth versus Maharashtra. As Karan just mentioned that there is already a higher share in Maharashtra and we see a lot more coming in from the non-Maharashtra geographies in times coming forward.

Moderator: Ladies and gentlemen, due to time constraints, that was the last question for today. Thank you, members of the management. On behalf of Sula Vineyards Limited, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.

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